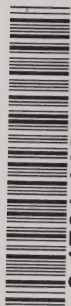


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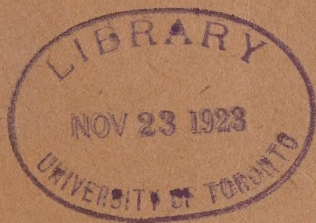
Canada Commercial Intelligence Service

# REPRESENTATION

IN BRITISH AND FOREIGN MARKETS

*A Series of Special Reports by Canadian  
Trade Commissioners*

*Price 25 cents*



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DEPARTMENT OF TRADE AND COMMERCE  
OTTAWA, CANADA

Hon. THOS. A. LOW, Minister

F. C. T. O'HARA, Deputy Minister

---

COMMERCIAL INTELLIGENCE SERVICE  
H. R. Poussette, Director





Canada. Commercial Intelligence Service

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DEPARTMENT OF TRADE AND COMMERCE  
COMMERCIAL INTELLIGENCE SERVICE  
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1923



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## CONTENTS

	PAGE
PREFATORY NOTE (H. R. POUSSETTE) . . . . .	6
 <b>BRITISH EMPIRE</b>	
LONDON AS A WORLD CENTRE (L. D. WILGRESS) . . . . .	7
The indent and export merchant houses of London—General considerations—Buying in the cheapest market—Cabling—The element of time—Payment and other details—Complaints against Canadian exporters—Orders originate abroad—Representation in London an essential—Considerations applicable to certain markets orders for which originate in London—Summary.	
SOUTH WALES AND THE WEST OF ENGLAND (A. B. MUDDIMAN) . . . . .	11
Three types of representatives—Personal contact with a market—Selection of travelling salesmen—British sentiment alive—Aim at reliable agents—Agency contracts—Primary necessities.	
SCOTLAND AND IRELAND (GORDON B. JOHNSON) . . . . .	14
Principal considerations—Personal exploration of the market—Methods direct and indirect—In forwarding catalogues a number should be sent—The Trade Commissioner not a resident agent—London representation not sufficient for these markets: an example—Glasgow as an importing and distributing centre—The case of Ireland—Influence of Britain's entrepot trade in the Irish market.	
AUSTRALIA (D. H. ROSS) . . . . .	17
Introductory—Agents specializing in different trades—Ability of average Australian agent—Tendering for Government contracts—Applications for Canadian agencies—Appointment of agents in Australia—Confining sales to purchasing agents—Unsuccessful Canadian agencies—Successful Canadian agencies—Financial responsibility of agents—Remuneration paid to oversea agents—Cabling charges of Australian agents—Settling commissions earned by agents—How to secure permanent trade.	
NEW ZEALAND (W. A. BEDDOE) . . . . .	23
The three types of representatives—Importance of representation in this Dominion—Names of Canadian representatives in New Zealand with cable addresses should be on file in Trade Commissioner's office.	
SOUTH AFRICA (W. J. EGAN) . . . . .	24
Value of export trade to the manufacturer—Representation on the spot the <i>sine qua non</i> —Ideal representative a Canadian familiar with his lines—Appointment of local agents by firm's representative—The service of the Trade Commissioner's office—Twenty-four pointers for the guidance of Canadian exporters.	
BRITISH WEST INDIES (E. H. S. FLOOD) . . . . .	28
Trade between Canada and the West Indies prior to Preference—Trading with the United Kingdom—Dry goods trade—Grocery trade—Machinery trade—Consulting engineers as representatives—Hardware trade—Fish and lumber trade—Type of commercial travellers recommended—West Indian commission houses—Representatives should be supported by advertising.	

BRITISH EMPIRE—*Concluded*:

PAGE

## JAMAICA (G. R. STEVENS) . . . . . 32

The mechanism of distribution—Three types of distribution: The old establishments; Manufacturers' representatives; Importing retailers. Representation and connections: The old-established houses; The Chinese trade; Manufacturers' representatives—Hints regarding agency connections—Importing retailers—Commercial travellers.

## INDIA (H. A. CHISHOLM) . . . . . 37

Peculiar difficulties of the market—The long-established British merchant houses—The native merchant—Geographical conditions: The five districts—Six types of firms—The seven different classes of goods sold—Changing situation makes it impossible to supply lists of various firms in a position to undertake Canadian representation—The question of price—Preferential trade—Catalogues and price lists wanted.

## BRITISH MALAYA (P. W. WARD) . . . . . 45

"Canadians selling Canadian goods" the objective—Direct factory representation—Local overseas agents—Representation through London houses—Confirming houses—Buying importers—Sales methods—Selling terms—Publicity—Samples.

## FOREIGN COUNTRIES

## UNITED STATES: NEW YORK AS AN EXPORT CENTRE (FREDERIC HUDD) . . 49

Extent and nature of trade—Canadian products for which there appears to be a field—Opinions and complaints of exporters—The handicap of delay in furnishing prices: an illustration—Favourable tariff conditions in British countries—Disinclination to deal with agents—Importance of representation—Value of an exhibit as a means of promoting Canadian trade.

## BRAZIL (E. L. MCCOLL) . . . . . 52

Difficulties of the market—Highly developed sales organizations of other countries—Foreign exporter studies the wishes of his customers—Courageous pioneer policy of the Canadian banks must be adopted by the Canadian exporter—A method for marketing foreign products—Canadian branch houses greatly needed in Brazil—Cost of the branch houses—Importing houses—The commission agent—The character of the retailer—The salesman and his essentials—Canadian manufacturers should personally visit this market—The three essentials.

## ARGENTINE REPUBLIC (C. NOEL WILDE) . . . . . 57

A keenly competitive market—Preliminary steps in representation—Manufacturers' representatives—Department stores—Heavy machinery, etc.—Mailed samples—Direct representation—Commission houses in Canada—Travelling salesmen and their essentials—Tender for Government requirements.

## FRANCE (HERCULE BARRÉ) . . . . . 62

Kinds of representation—Establishing an agency—Direct representation—The question of language—Advertising and its essentials—Terms and shipments—Packing.

## ITALY (W. McL. CLARKE) . . . . . 64

How representation may be effected—Direct representation—Cost of living and its influence on the representative—Advisability of direct representation—Trading through intermediaries—The export intermediary—*Raison d'être* for export intermediaries—The various types of import intermediaries—Methods of selecting and helping agent.



FOREIGN COUNTRIES—*Concluded*:

PAGE

## HOLLAND (NORMAN D. JOHNSTON) . . . . . 71

Representation essential—Primary proceedings—Help of the Trade Commissioner—The five types of representative—Methods of dealing with representatives—Quotations—Terms of payment—Dependability of agent and the backing that should be accorded him.

## BELGIUM (A. S. BLEAKNEY) . . . . . 76

Commission agent a recognized institution—Stiff terms not appreciated in Belgium—The element of risk—Preliminary inquiry by Trade Commissioner—Selection of the agent (1) By visit of Canadian representative; (2) By correspondence—References—Brussels the natural centre of location.

## JAPAN (A. E. BRYAN) . . . . . 78

Sale of Canadian goods begins of necessity at home—Service the intending exporter may obtain from the Trade Commissioner—Travelling salesmen—Best man should be selected to investigate this market personally—The ten types of trade intermediaries and their work detailed—Chart designating the class of firms and the means by which they are securing business in the several lines in Japan.

## MEXICO (C. NOEL WILDE) . . . . . 87

The five methods of representation and their service described—Methods of sale for certain specified products detailed—Market should be personally investigated—Service that may be obtained from the Canadian Trade Commissioner.

## PREFATORY NOTE

The question of representation in foreign markets is of such great importance to Canadian exporters that it was decided some time ago to request all the Canadian Trade Commissioners to write special reports on this subject, in the light of their individual experience. These reports were for the most part published in the *Commercial Intelligence Journal* and have now been brought together in pamphlet form, and are strongly commended to the careful consideration of all Canadian firms interested in export trade.

Errors have been made in the past by Canadian firms, although happily not frequently, in the choice of foreign representatives, both as travelling salesmen and as resident agents. So far as the latter are concerned, Canadian firms will be well advised to make no appointment in a country in which a Trade Commissioner is stationed without first consulting that official. When representatives are sent from Canada it is very necessary to ensure that they should be men of good address, good appearance, temperate habits and excellent character. Further, it is essential that they should go out thoroughly equipped with information in regard to the manufacture of the products which they have to sell, and fully informed as to the very best export prices; time required between despatch of goods and receipt in foreign countries; route to be followed by shipments; terms as to financing, etc. A travelling salesman who requires constantly to apply to his principals for information or for instructions creates an unfavourable impression on the firms on whom he calls, which cannot but have a reactionary effect on his sales.

It may be said here that Canadian salesmen who have been sent abroad with marketable products, and possessed of the qualifications outlined above, have rarely returned without justifying their trip by concrete results.

H. R. POUSSETTE, *Director,*  
*Commercial Intelligence Service.*



# REPRESENTATION IN BRITISH AND FOREIGN MARKETS

## THE UNITED KINGDOM

### London as a World Trade Centre—Opportunities for Increasing Canadian Exports

TRADE COMMISSIONER L. D. WILGRESS

The indent and export merchant houses of London are a factor of great importance in the trade of the world and in the financing of shipments to overseas markets. The writer was commissioned by the Department of Trade and Commerce to temporarily undertake a canvass of the London export houses in order to supplement the work of the Canadian Government Trade Commissioner's Office in London. Interviews with some two hundred of the leading firms of this class have confirmed the opinion that Canadian exporters were not sufficiently aware of the opportunities for developing business with other markets through the medium of these London houses. There are nearly two thousand firms located in London whose business chiefly consists of purchasing goods and financing shipments for overseas customers. These firms may for convenience be divided into the following classes:—

1. Indent or export commission houses, who buy for overseas clients on a small commission.
2. Import and export merchants with or without branches abroad.
3. British or foreign merchant houses established in overseas countries, but with offices in London.

Nearly all of these firms do a large amount of business for their overseas branches or clients. Certain firms have branches or agents in New York to whom are allocated all purchasing of goods on the North American continent. In such cases therefore it is to New York (unless the firm has a branch or agent in Canada) that Canadian exporters have to direct offers for the sale of goods. In a great many instances, on the other hand, all buying for overseas customers is done by the London office of the indent or merchant house, and it is for this business that it would seem most desirable that Canadian manufacturers and exporters should make greater efforts to compete.

#### GENERAL CONSIDERATIONS

The desire to deal to a greater extent in Canadian products was expressed by a majority of the firms interviewed. Many lacked information as to the lines which Canada was in a position to export at competitive prices. It was often pointed out that Canadian exporters did not show the same enterprise in canvassing export business through London as United States firms.

The governing principle affecting all purchasing for overseas customers by London houses is to "*buy in the cheapest market.*" All London indent firms make a point of keeping in touch with ruling quotations in all possible sources of supply and then placing orders to the best advantage. The practice of keeping these firms regularly supplied with quotations is therefore one method whereby Canadian exporters can bring their source of supply before indent firms.

Certain London houses regularly cable out to their overseas clients or branches ruling quotations on lines likely to interest them. In such cases it is desirable that ruling Canadian prices should be always available to these London firms.

Another important factor governing the placing of indents is time. An indent house cannot afford to wait long for quotations, but must place orders and arrange shipment of goods as soon as possible after receipt of indent. Thus it is no use for Canadian firms to canvass these indent houses by correspondence. The latter cannot take the trouble of even cabling to Canada when there are sources of supply at hand in London from whom immediate quotations and acceptance of orders can be received. This brings up the question of the importance of having representatives in London with samples and with authority to give immediate quotations. Failing this, it is difficult to see how Canadian firms can cater for a large share of the export trade that is handled through London.

Possible sources of supply for all lines in which they deal are kept on file by the majority of London indent firms. When an indent is received every effort is made to obtain prices from all likely sources, but unless Canadian firms are represented in London by agents in a position to quote without delay, it is not likely that the indent house will solicit Canadian quotations unless Canada is recognized as the most advantageous source of supply for the goods in question.

When the Canadian exporter is properly represented in London and the name and address of the representative is filed with the indent house as a possible source of supply for certain lines, that indent house will not fail to request quotations from the Canadian representative when indents are received for the particular lines supplied by the Canadian exporter.

The importance of having regular representation in London cannot therefore be too strongly urged upon Canadian exporters desirous of catering to the large trade with the British dominions and colonies and many other parts of the world which is handled and financed through London.

#### PAYMENT AND OTHER DETAILS

The question of payment is another factor which Canadian exporters seeking business with London export houses should make an effort to meet. Although the goods would be shipped direct from Canada to the country from whence the order originated, payment would in all cases be made from London. Indent firms cannot always arrange to open credits in Canada whenever they wish to purchase goods. When an indent house buys goods in the United Kingdom, the documents are usually presented through a London bank, and payment is effected or the draft accepted when the goods are shipped. It is also useless for Canadian firms to quote f.o.b. factory. Failing c.i.f. port of destination, f.a.s. quotations Canadian or United States port are essential.

It has also been frequently pointed out that Canadian exporters do not always pay sufficient attention to the details of export trade. Thus for the many markets it is essential that there should be no delay in forwarding full set of documents so that the goods can be cleared through the customs on arrival of steamer at port of destination.

#### COMPLAINTS AGAINST CANADIAN EXPORTERS

A complaint which was directed against Canadian exporters in several instances was the tendency to go behind the London indent house and endeavour to establish direct relations with the overseas customers for whom the indent house had been acting. In the case of certain markets, the overseas customer preferred to purchase through a London indent house on account of financial arrangements, and when the Canadian supplier endeavoured to develop direct relations with that customer it only served to discredit them with the indent house which had been responsible for the original order.

Another cause of complaint against certain Canadian exporters is the lack of attention to inquiries for goods or to ordinary letters. Besides discourtesy, this is taken by London firms to indicate lack of enterprise and of desire to do export busi-



ness on the part of the Canadian exporters concerned. In the course of interviews with London indent and merchant houses, a number of inquiries for Canadian sources of supply were received and were duly forwarded to Canada for publication. In each case the matter has been followed up by the writer, but it has been found that the number of Canadian exporters replying to each inquiry has been very small and the result disappointing to the London firms on whose behalf the trade inquiries were forwarded to Canada.

#### ORDERS ORIGINATE ABROAD

While orders are placed through indent firms and the London offices of merchant houses, it must be understood that in nearly every case the orders originate with the overseas client or branch and are forwarded to London as indents for execution on the most favourable terms. The only important exceptions to this rule may be said to be certain proprietary articles and dry goods lines where considerations of fashion are best known to the London house and it is left to the discretion of the latter as to what should be bought. When it is therefore a question of introducing a new line, it is best to take up the matter with the overseas firms, who alone can judge as to the suitability of the article for their particular market. Canadian firms should in such cases forward a number of samples, catalogues, etc., to the London house with the request that the matter be submitted to overseas branches and clients.

Should Canadian firms be canvassing overseas markets by means of travellers or agents, it is often of practical advantage if they can indicate to possible customers, who usually buy through London, that they have a representative in London who can take orders from the London buying house. In that case orders would come through as indents from the overseas customer with the request that the representative of the Canadian firm be given a chance to quote.

#### REPRESENTATION IN LONDON

It is desirable that Canadian firms should be represented in London in order to take advantage of the trade with indent and export houses. There are many London export firms who are open to act as agents for Canadian exporters for a small commission in order to reduce overhead expenses, and with due care and discretion Canadian manufacturers and exporters should be able to find suitable London agents to represent their interests and canvass the indent and export houses on their behalf.

#### CONSIDERATIONS APPLICABLE TO CERTAIN MARKETS

The following notes with regard to the different markets from which orders originate for execution by London houses will indicate to what extent Canadian exporters should cater to the trade through London in developing business with each market.

*South Africa.*—A large share of the requirements of the South African market are filled through London houses. The tendency in recent years has been for orders for American and Canadian goods to be ordered to an increasing extent either through New York commission houses or direct from manufacturers. However, it is still probable that the bulk of Canadian exports to South Africa are ordered and financed through London. There are a few large firms in London specializing in South African business who handle a large part of the exports of the Union, while there are many smaller indent firms buying for clients in South Africa. The South African importers and wholesalers depend therefore to a large degree on London houses for the purchasing of the goods they require.

*West and East Africa.*—The greater proportion of the goods shipped to the British colonies on the West and East coasts of Africa are purchased by the London offices of firms having branches in these colonies. Some of the larger of these houses have offices in New York, which attend to the buying of their requirements of

American and Canadian goods. There are also firms in London who buy on indents for clients in the African colonies. It is principally through London therefore that Canadian goods would be ordered for West and East Africa.

*India and the Middle East.*—The import requirements of India are in a large degree ordered through London, either through houses with branches in India or through indent firms acting for clients in India, native or otherwise. The same applies to the trade with the Netherlands, East Indies, and to that with the Federated Malay States and other British colonies in the Middle East, although a few firms in Singapore and other ports buy goods from North America direct. It is, however, chiefly through London firms that Canadian goods would be ordered for shipment to India and the Middle East.

*The Far East.*—While all the large merchant houses established in China and Japan have offices in London, Canadian supplies in most cases would be ordered direct by the Far Eastern branches of these houses and only in certain instances would the orders pass through London. Many have offices in the United States which attend to all buying on the North American Continent.

*Australia and New Zealand.*—Importers in Australia and New Zealand more frequently would order goods from Canada direct from Canadian exporters or through commission houses or branches in New York. There are, however, a few Australasian firms who concentrate all their buying in the London office, while for financial reasons certain Australasian importers prefer to buy through London whenever possible.

*South America.*—The larger South American houses in London have also offices in New York, to whom is referred all buying of goods on the North American continent. Many South American importers would also buy from Canada direct or through New York commission houses. There are firms in London, on the other hand, who are in a position to place orders for Canadian products for shipment to South America.

*West Indies and Central America.*—The same considerations apply to the West Indies and Central America as to South America, since it is found more convenient to purchase from Canada direct or through New York rather than through London. A number of West Indian firms in London were interviewed, who expressed their readiness to consider offers for Canadian goods for shipment to the West Indies.

*The Continental and Mediterranean Markets.*—There are many firms in London buying goods for shipment to Spain and Portugal, North Africa, the Near East, and all parts of the Continent, and in most instances these firms are free to consider offers for the sale of goods from Canada.

The extent to which Canadian supplies would be purchased through London houses for the above markets may be summarized as follows:—

India and Middle East . . . . .	Mostly through London.	
East and West Africa . . . . .	Do.	Do.
South Africa . . . . .	To a large degree through London.	
Continent and Mediterranean markets . . . . .	Many London firms would buy Canadian goods for shipment to these markets.	
Australia and New Zealand . . . . .	Do.	Do.
South America . . . . .	Mostly direct or through New York, but also through London.	
West Indies and Central America . . . . .	Do.	Do.
The Far East . . . . .	Mostly direct or through New York.	



## SOUTH WALES AND THE WEST OF ENGLAND

TRADE COMMISSIONER A. B. MUDDIMAN

So closely is the marketing of Canadian products in this area bound up with the question of representation that no Canadian manufacturer or producer who is desirous of exporting to this district can afford to overlook this important question. Representation can be roughly divided into three stages: (a) commercial travellers and members of a Canadian house making an initial attack and investigation of possibilities and "prospects"; (b) local agents when some line has been found to be a selling proposition here; (c) branch houses, branch factories or branch retail stores. This last stage is only justified when local sales can support the heavy overhead expenses of such a method, and as it presupposes that the manufactured products thus sold are in established demand, consideration of this aspect is not pressed here. It would be very unwise for any Canadian manufacturer to employ the costly branch house method until his goods have met with considerable success in the export trade to this country by the other methods.

On the other hand, it must not be supposed that for certain types of goods, where replacements, etc., are required, they will not of necessity force and also justify the maintenance of a branch house. The type of manufactured product handled is after all the real deciding factor for or against a branch house. Again, in the case of a branch factory such an undertaking is by no means beyond consideration, as to-day, to take only one example, one Canadian woodworking machinery manufacturer has a very successful branch factory at work in this country. But since as a rule the question of representation chiefly refers to a traveller or a local agent, it is on these representative types this short note attempts to make suggestions. However, allusion must be made, before passing on to these representatives, to the large number of brokers in produce and foodstuffs in this neighbourhood who are really a form of agent working for Canadian houses on a small percentage basis and who by their intimate connection with the complicated ramifications of British trade are perhaps much more useful to the Canadian houses than the latter fully appreciate.

## PERSONAL CONTACT WITH A MARKET

Many Canadian firms now exporting to this area have commenced operations by sending over either a member of the firm or a travelling salesman. There is no better way to feel out a market if the right kind of man is sent. Although he can never quite supplant local permanent representation, for the initial attack he is invaluable in securing up-to-date information and in commencing the establishment of that personal relation which is the most vital factor in selling in this market. Recently one firm manufacturing wrenches and another jewellery have been feeling out the opening here for their lines in this way with satisfaction. As one of these representatives said to the writer: "The trip gives one an invaluable insight."

The travelling salesman must in a highly competitive market like this bring samples. The English buyer leaves nothing to his imagination, he wants to touch and see. Samples come to him from everywhere and without them he feels he is buying a "pig in a poke." Further, in the United Kingdom there are none of those harassing restrictions *re* samples and travelling salesman's taxes that beset the traveller elsewhere.

Without reflecting on American salesmen or their methods, the Canadian will find it an appreciable advantage to establish at once in this area his Canadian origin, that his goods are Canadian, and made in Canada. Canadians travelling recently in this area have brought this valuable fact to the writer's attention, stating that time after time they have met with the remark: "Is this another line of American goods calling itself Canadian?" Credentials should be obtained in this regard

## SELECTION OF TRAVELLING SALESMEN

A book could be written on the subject of travelling salesmen, and it is only possible here to summarize a number of aspects of this method of representation that may prove useful to those coming here for the first time on such a mission. Care in selecting routes so that a salesman does not miss a likely distribution field is necessary, and this office is always willing to suggest the most likely firms and towns to visit, and to furnish to bona fide representatives letters of introduction to the secretaries of the principal Chambers of Commerce in this area such as Bristol, Birmingham, Coventry, Cardiff, Swansea, Plymouth, etc. In some cases appointments can be arranged provided fair notice is given. However, so far as possible it is best for the traveller to arrange himself by letter all his appointments. If he tries casually dropping in on "prospects" as in Canada, he will find himself kicking his heels in an anteroom. As to his receiving replies to his letters from this area he need have no fear, for courtesy prevails.

As soon as he arrives, if not sooner, he should get in touch with this office which may be of great service to him on account of the community's friendly attitude towards it. Introductions can often be obtained. The entry to business clubs for a short period and suggestions *re* hotels and agents are further aids.

The selection of the right man, as always, is a question of job analysis. The salesman must be adapted to the market. He must avoid Americanism in its more aggressive forms and be tolerant to English habits. Great patience is necessary and the results will not always show until a long time after. The best representative for a Canadian house in England is a Canadian.

## BRITISH SENTIMENT ALIVE

Englishmen here will extend adjustments and conveniences readily to a Canadian as soon as his nationality is recognized. Nothing, however, must be rushed and the traveller must take his time. An English connection is not confirmed overnight or in the course of a lunch, but it is worth striving after. Telephoning for appointments to houses where you are unknown is not the correct procedure, but writing as stated above. Once an appointment is made, keep it on time. But it is no use keeping the appointment even on time if the salesman is not equipped with all his data, not only regarding his products and prices, but also deliveries, shipping, packing, transportation, and forwarding charges. All the world is selling here and the trader knows his job. The Canadian salesman must meet them on their own ground, bring his samples, and not rush for orders but for a connection. Lastly but not least, a salesman should go to the recognized commercial hotels. It is there he will meet and be able to watch and pick up hints from the English themselves.

## AIM AT RELIABLE AGENTS

If a Canadian house finds that its traveller's sales justify it, the consideration of the appointment of a permanent representative terminates or succeeds this actual preliminary canvassing of the market.

All sorts and conditions of agents abound in England. The majority, like everything else in this country, are stable and reliable with sound connections. Recent business conditions, however, have shaken many firms and care should be exercised in the selection of a representative. Due to post-war deflation, unemployment, and other labour troubles, there has been an increase in the number of irresponsible people with little or no experience invading the agent's field in the hope of making a living. This office has been visited occasionally by people of this class desirous of representing Canadian houses. It may be said that the good agents have to be sought, while the incompetent clamour for agencies. Good English agents are not always anxious for extra lines. They will not handle products which they do not think will have a good opportunity. The office for this area can prove of the greatest use to those firms



deciding to locate their agencies here. It can recommend the names of responsible parties in a position to act as agents and give assistance to these agents when appointed.

The types of agents available include all classes from exclusive agents to broker agents. Probably the most satisfactory way to introduce manufactured goods in this area is by handling through an agent house on a commission basis as detailed in the writer's report on Woodenware (*Commercial Intelligence Journal* No. 944, March 4, 1922). It may be said that it is difficult for the exporter in Canada to know if the sales of his goods in this way are being pushed sufficiently, since the consignee not having invested in them has not the same interest as in pushing the sales of those goods in which his capital is tied. The consignor may think he is at the mercy of his agent consignee. But in the case of a British agent of established reputation, these fears are unnecessary. Such houses exist alone on their success in selling consignments. They have trade connections built up over decades of trading. In other lands such a policy may be dangerous and unsold goods with foreign agents may represent a grave loss. But here, if the agents are a house of repute, the Canadian exporter will have no other worry than fully backing up his representative's efforts. Again it has been said that in the case of the sale of manufactured goods not subject to publicly established prices, the consignee may sell at a better price than he is willing to remit to his principal. By the arrangement known as the extra profit-sharing basis the Canadian exporter obtains half the extra benefit, as indicated in *Commercial Intelligence Journal* No. 944, page 332. In the case of a forced sale, some exporters set a minimum price under which their goods are not to be sold. The wisdom of such arrangement with a reliable British agent is doubtful, for it may prevent a sale at a slightly lower price and thus involve a final greater loss.

A good British agent will be of great assistance in giving detailed information about prices, customs, quality, packing, and the financial standing of customers. If he makes suggestions for the improvement of the product and the methods of handling it, such suggestions merit close attention. He will handle collections, and he knows when to make credit exceptions. If the goods are refused or payment slow, unlike a bank which is more directly interested in collecting, the agent who considers future sales acts discreetly.

#### AGENCY CONTRACTS

The main consideration for a Canadian exporter once satisfactorily represented on this side is how he can aid his agent. The agent here must be backed to the fullest extent, for the market is one to which all the world is selling. Competition in selling means that no item of value must be overlooked. Samples and quotations should be here on time, and the agent should be armed for the fray as fully as possible.

Contracts with agents should be as precise as possible. Arrangements for a private cable code and all factors that make for mutual trust should not be forgotten. It would seem superfluous to add the remarks that follow, if a case in point had not come to this office's attention. Most agents want to be exclusive as a rule, and providing the agent has a sufficient number of travellers and can also show he has a wide enough connection, one good agent often suffices for Great Britain.

In certain trades it may be that a number of area agents are perhaps most useful. The territories must be distinctly defined, and no Canadian exporter should appoint a new area agent without informing existing representatives. Agents keenly resent an exporter using other agents in England or dealing with any trade inquiries except through themselves. This, as in the case alluded to, only leads to keen dissatisfaction and spoils trade. So far as terms are concerned, the percentage basis seems as a rule the most advantageous in the majority of cases, while the question of credit responsibility depends entirely on the line of goods handled.

#### PRIMARY NECESSITIES

The primary necessities for all personnel connected with foreign trade are (1) adaptability and (2) the cosmopolitan point of view. To become a "cheaping man,"

to use the old Anglo-Saxon term, who passes from "cheaping" market to "cheaping" market, a man must feel at home in his environment. Other people's customs, prejudices, and peculiarities must not annoy him nor mystify his mentality. They must rather offer him a subject for an interesting psychological analysis. The provincial mind has no right to trade abroad. What is needed is vision—big vision. Familiarity with local customs has often created business openings. They should be the hobby of the travelling representatives whose acumen for foreign virtues and foreign vices should be always keen. Above all, for this part of England it should be remembered that "more flies are caught with honey than vinegar."

## SCOTLAND AND IRELAND

TRADE COMMISSIONER GORDON B. JOHNSON

The question of the proper representation of Canadian manufacturers in overseas countries is one for which no hard and fast rules can be laid down. Each case demands particular consideration as its special treatment depends upon many factors which urge one method in the case of one commodity or manufacture and another method in the case of another.

Having satisfied himself that his product is in demand in a particular market, say Scotland, and that he can compete in price and quality, and that the capacity of his factory requires an overflow at all times to markets abroad, the manufacturer has thus begun in the right way to secure a permanent and lucrative field for the development of his business. But this is only the beginning and not the end. Export trade requires more educated intelligence, harder work, more courage, and much more persistence than is needed in the case of domestic business. Too often there is evidence of pessimism which shows itself in halting and feeble efforts, a reluctance to take essential step, followed by an early withdrawal. Then there are men imbued with self-confidence engendered by success in the home field who refuse to profit by repeated advice from people who are able to impart information as to the requirements of the markets concerned, who also eventually drop out.

Assuming that the firm concerned is determined to thoroughly exploit the overseas market with a good line which is likely to be acceptable, it is always desirable for the head of the firm or one of the chief officers to personally explore the field before appointing any representative. By doing so, he becomes acquainted at first hand with the requirements of the market and with the competition to be faced, and gets into personal touch with the trade. He carries home and retains a mental picture of the situation which no amount of correspondence can take the place of. When he receives later an order from John Jones & Co., he very likely remembers Jones himself and what his establishment looks like, how they carry on business, and whether they are a good sound concern who will meet their obligations. He will, furthermore, while on the ground, have the opportunity of selecting a representative. Such a representative may be a commission agent who knows the business and already has a connection, and who can be trusted to separate the goats from the sheep among possible customers. The advantage of this type of agent, if he is not overloaded with different lines, is that his living depends upon securing orders. An important wholesaler or importer with a staff of travellers may be found to undertake exclusive representation either on a commission or buying basis, and carrying stocks. These are the indirect methods of representation.

Direct methods consist first of the establishment of a branch office, and second the periodical visits of a traveller from the firm. The former method, because of the expense, can rarely be justified in most markets, but where it can be, the results are naturally greater than any other system can show. The latter is well worth while in certain cases. The writer knows of a case where a Canadian firm manufacturing a certain line of hardware is known everywhere among the trade in Scotland and Ireland.



Their products are constantly in evidence, and the line is such that it seems surprising that any business at all can be done because of the severe competition from English, Continental and American manufacturers. The business is procured in this case by a traveller from the firm's headquarters who calls on the trade once a year. If it were not for his visits, it is very likely that the company would not do a dollar's worth of business and would remain unknown. This shows the value of personal touch and of the persistence which succeeds.

However, it is a fact that a great many companies who feel the necessity of selling their products abroad do none of these things. They apparently expect to do business by getting into correspondence with a number of wholesale merchants who may be interested and will place orders. Satisfactory business may possibly be done in this way and occasionally is, but apart from an occasional order it is safe to say that trying to do business abroad through correspondence, without direct or indirect personal touch, is generally doomed to failure. It is less likely to be successful than attempting business in the domestic market without advertising, and without travellers. To enter into correspondence with a number of merchants in order to feel the market and to obtain the services of a good firm or agent for exclusive representation or a commission arrangement, is one thing, but writing letters periodically to importers with a view to obtaining orders, is another. The personal touch and an exhaustive search for buyers are needed.

Probably all Canadian Government Trade Commissioners are only too familiar, as is the writer, with the type of letter from a firm new to the business of export trade, who sends forward an informative but long communication with *one* catalogue or descriptive leaflet and *one* price-list usually f.o.b. factory, asking to be placed in touch with buyers. One wonders if it ever occurs to the writers of these letters that it is necessary for the Trade Commissioner to approach sometimes as many as a dozen firms in order to do the inquiry justice, that with only one descriptive pamphlet and price-list available it is not desirable to let them leave the office, and that only one or two firms are likely to be sufficiently interested to take the trouble to go to the Commissioner's office to inspect them. He can of course visit likely firms himself, and usually does, but it is obvious that with perhaps as many as a dozen similar requests to deal with constantly, besides other urgent work that keeps him in a constant rush, such a letter necessarily cannot receive the attention it requires and deserves. A quantity of this descriptive matter should always be forwarded, and the results will be proportionately greater. No time should be lost hereafter in making an exclusive connection with an energetic and reliable firm or agent whose standing can be obtained from the Trade Commissioner and who may be recommended by him.

There are other companies by no means few in number, who apparently expect Trade Commissioners to act as their resident agents, and actually obtain orders and "show results". It should be obvious, but apparently is not to every one, that a *Commercial Intelligence* Service does not exist for this purpose. Even a commission agent cannot do justice to more than half a dozen manufacturers in more or less the same general line of business. It is quite out of the question therefore for a Trade Commissioner to actually place orders for several hundred. Furthermore "visible results" of this kind might lead to hard feeling upon the part of those manufacturers equally entitled to consideration who had failed to secure orders. The work of a Trade Commissioner is one of the rivulets which feeds the river of trade, not conspicuous, not very visible (and not intended to be) in actual transactions, but giving distinct increase and impetus to the volume and speed of the main stream.

### The Scottish Market

A considerable number of Canadian manufacturers and exporters have branch offices or agents in London for the purpose of acquiring business in the United Kingdom. While each particular firm must decide its own representation on the merits of its own case, it is safe to say that in the majority of cases, London representatives alone are not sufficient to satisfactorily cover the United Kingdom.

That part of the country which is particularly out of the orbit of an agency or representative confined exclusively to London is the country tributary to Glasgow, and for which Glasgow is logically and actually the importing and distributing centre—that is the whole of Scotland, the north of Ireland to a great extent, and in some degree the north of England as well.

Small in area as the United Kingdom is in Canadian eyes, its power of absorption of a great variety of Canadian products is determined of course solely by its population. Proper representation of Canadian firms should therefore be determined, not by the area of the country, any part of which can be reached from London in twenty-four hours or less, but by the large numbers of great centres of population, which cannot be reached and covered from London without a complete organization for that purpose.

What chance, for example, has the London office or agent of a Canadian manufacturer to obtain orders from Glasgow importers or distributing houses? None whatever, without personal contact of some kind. As a general thing, it is quite impossible for the London representatives of Canadian firms to cover, or even attempt to cover, the whole field.

It is possible to quote several cases, even during the past year, in which the lack of a Glasgow representative was to be deplored, and others in which the opportunity to obtain such a representative was passed by. One instance may be given which is representative:—

An energetic firm of manufacturers' agents applied to the Glasgow office, desiring to represent a good firm of Canadian manufactures of certain commodities.

A trade inquiry was accordingly forwarded to Ottawa and published in the *Commercial Intelligence Journal* in due course. A number of letters from Canada in response were received by the Glasgow firm, most of which were obviously of no use. But one or two were from prominent manufacturers with their own office or agent in London. Ignoring the request in the inquiry for a discussion as to a possible commission agency for Scotland, the companies concerned referred the Glasgow people to their London representatives for any business they might wish to offer as *merchants*. Now, this particular Glasgow concern have connections throughout Scotland and, prices being competitive, they are in a good position to get business being in direct touch with buyers. They are, however, not merchants themselves, they are commission agents who desired an agency for this class of goods—quite a different line of business—and the attempt to treat the inquiry as one for goods instead of what it was, an inquiry for an agency, was merely stupid.

London is too far away from Glasgow's territory, and representatives there are too occupied with London itself and other large centres within an easy journey to pay attention to Scotland. Sitting in London waiting for orders from possible buyers in Scotland will not promote business. It must be worked for. That can only be done by Glasgow agents or brokers (who report either to the head office in Canada, or they may be sub-agents reporting to the London office) who know the business, who have the connection, and are constantly on the move trying to obtain orders. Buyers do not have to search for sellers; it is quite the other way about, and firms desiring business must have people on the spot whose living depends on finding buyers.

So far as Scotland or the North of Ireland is concerned, to try to obtain business by instrumentality of a representative sitting in London, who probably has no time to visit the territory concerned, much less to explore its possibilities, is **precisely analogous** to a manufacturer trying to get business in the domestic market without advertisement and without travellers.

It may be repeated that Glasgow is the great importing and distributing centre for the whole of Scotland, the North of Ireland, and to some degree the extreme North of England—a territory comprising a population of at least six millions, while Glasgow is itself a city of about 1½ millions.



### Representation in Ireland

The case of Ireland is rather different. Irish import merchants are engaged in a purely local Irish business. That is, their business of distribution may extend all over Ireland, but that is the end of it. In England and Scotland, however, large numbers of importers distribute imported goods not only in their own home market, but also to many other parts of the world, including Ireland. This entrepot trade, as it is called, is carried on from the centre of a web which extends throughout the civilized world, with the aid of the equally extensive machinery of British banking and shipping. Eighty-three per cent of Irish imports come from or through Great Britain. The indirect imports—that is, those that come into the country from Great Britain which are not produced there, but which pass through the hands of British merchants—therefore to a very great degree hold the field for overseas goods. The exact proportion that this indirect trade bears to the whole import trade of Ireland is unknown, but it seems to be, if it is possible to use the same proportions as exist in the case of Irish exports, of about the same extent as the direct imports, that is the imports direct from countries other than Great Britain, or about 17 per cent of the whole. If this can be taken as correct, then the imports into Ireland are 17 per cent direct trade from abroad, 17 per cent indirect trade from abroad (through merchants in Great Britain), and 66 per cent from Great Britain. In deciding upon representation in Ireland therefore, it should be kept in mind that imports into Ireland from overseas countries are now handled probably in equal proportions by import merchants in Liverpool, London and Glasgow, who have Irish wholesale connections, and by Irish importers who import directly from abroad. The Canadian producer who wants to do business in Ireland must decide therefore, whether his business in that country, if he does not intend to establish direct representation, shall be done through British agents, or import houses, or through Irish, directly. The commodity concerned has a good deal to do with the decision. Certain Canadian products for which there is a fair demand in Ireland do not sell in large enough quantities to warrant Irish importers forming direct connections with the Canadian houses concerned, and the latter could not receive from them orders sufficiently large perhaps to justify acceptance. Irish wholesale distributors are not in a position, in the case of the particular classes of commodities referred to, to order in the large quantities which Canadian exporters might be willing only to ship, and which British houses are accustomed to take in large quantities. The large scale on which many British wholesale houses do business enables them to obtain overseas commodities for distribution not only in Britain and Ireland, but in most of the countries of the world on terms which would not be granted in the case of smaller transactions.

### AUSTRALIA

#### Manufacturers' Agents in Australia

TRADE COMMISSIONER D. H. ROSS

From recurrent correspondence, it would appear that at least some Canadian manufacturers fail to accurately comprehend the nature of applications for their selling agency addressed to them by manufacturers' agents in Australia. Such applications have, in some instances, brought a reply covering price lists and soliciting an order for the goods.

Apparently to some firms the term "agent" implies a purchasing agent, and therefore the general acceptance of the term—as understood in Australia—is not always so understood in Canada. Independent of the oversea commission houses (chiefly in London and New York) which have branch offices and sample rooms in the principal Australian centres, and the direct resident representatives of leading

oversea industries, the local or resident manufacturers' agents of foreign companies constitute a wide fraternity throughout Australia but more especially in Melbourne and Sydney from which points they generally cover the whole Commonwealth.

These local commission agents are not singular to Australia, but it is quite probable, owing to its great distance from the world's markets precluding factories sending out their own representative, that the cult is more keenly developed in the Commonwealth than in most countries.

As in other walks of life, there are good, bad and indifferent agents, and it is most obvious that Canadian manufacturers and exporters should take particular care in appointing men of recognized character and ability to represent their goods in such a distant and important market.

Some Australian agents for important oversea manufacturers are given practically a free hand in conducting their selling campaign, and it should not be overlooked that distant buyers generally place more reliance on "the man on the spot" than upon the firm he represents. Poor representation is, in effect, worse than none at all for the reason that the line of goods offered is frequently judged by the calibre of the man representing it.

With comparatively limited exceptions, all Australian manufacturers' agents are British or of British descent hence, if in other respects satisfactory, there can be no objection to appointing them on the score of nationality.

#### AGENTS SPECIALIZING IN DIFFERENT TRADES

In Australia, while some manufacturers' agents still handle quite a variety of lines, the growing tendency is to specialize in different groups. In the dry goods trade will be found agents who direct all their energies to only one line—such as corsets—others may only be interested in gloves, hosiery, and quality underwear and others in cottons, woollens, etc., and so on ad lib. Thus we find men, who have been trained in special departments of large wholesale importers devoting their attention to the lines in which they have not only expert knowledge of the goods or products they handle, but also have the advantage of being personally acquainted with the principal buyers of importing houses, and the purchasing officers of large government departments (such as railways, telephone and telegraph services).

It is apparent that, however capable his selling power may be, it would almost be futile to place (as an illustration) new lines of dry goods in the hands of a manufacturers' agent who by training is an expert salesman of iron, steel and heavy hardware. Generally it would be, to say the least, inadvisable to give an agency for various lines of paper to a man (however estimable his character and ability may be) who hitherto handled drugs and druggists' sundries and is an expert salesman of the latter lines. There are admittedly exceptions to every rule, hence it frequently happens that the agent who is thoroughly *au fait* with the technicalities of the line he represents is by no means the most successful salesman.

#### ABILITY OF AVERAGE AUSTRALIAN AGENT

Generally, it can be accepted as a trade axiom that—so far as Australia is concerned—the Australian agent for a Canadian industry is at least comparable to the manufacturer's own travelling salesman, in addition to which he must be thoroughly familiar with exchange rates to enable him—if necessary—to compute c.i.f. quotations; marine freights; insurance; and obtaining letters of credit or signed contracts drawn up in such form as to afford his principals every possible protection. Further, in many instances, buyers rely greatly upon the agents' expert knowledge of the lines they represent, and of market conditions, shipping facilities, etc., before placing orders which, from this great distance, take months in transit.

#### TENDERING FOR GOVERNMENT CONTRACTS

Important Canadian industries in considering the question of overseas representation, should not overlook that in submitting tenders for supplies to Government



and public service enterprises they are frequently only accepted from "representatives on the spot" to whom—in case of need—they can look for the adjustment of legitimate claims, or, in case of disputes arising, to protect their principals' interest.

Australian agents knowing the responsible officers of the purchasing departments, have facilities for securing business which are often impossible to an overseas manufacturer. In some Australian States (though not all) an old-established practice has been to place the names of acceptable overseas manufacturers on the departmental purchasing list for first preference in placing contracts, hence the local agent for such industries is promptly advised when tenders are being called in order that his principals may be notified without delay. For unexpected contingencies or urgent requirements, quotations may be asked—without tenders being advertised—and here the advantage of having an agent on the spot is too obvious to require comment.

#### APPLICATIONS FOR CANADIAN AGENCIES

In making applications for the representation of Canadian manufacturers in Australia, it is the usual procedure for applicants to support their requests with references as to their character and ability. In some instances manufacturers' agents in Australia make arrangements with the local offices of reputable mercantile agencies to have available at branches in Montreal, Toronto, and New York an opinion as to their reputation, experience and ability so that the desired information can be promptly obtained without the circumlocutory method of referring the matter back to the applicants, which is pregnant with delay. Where there may be an element of doubt in regard to the bona fides of overseas manufacturers' agents, it may not be presumptuous to suggest, before appointments are made, that an opinion should be sought from the Canadian Government Trade Commissioner in the particular territory from which the application is received.

#### APPOINTMENT OF AGENTS IN AUSTRALIA

Under no circumstance is it advisable for Canadian manufacturers to appoint agents in Australia until they are absolutely certain—as the result of reliable inquiry—that the agents are worthy of confidence. When appointed, the established confidence and every possible support should be extended to them. Obviously, the reputation for straight dealing and character comes first, and abilities as successful salesmen come second in the consideration of appointment of overseas agents.

#### CONFINING SALES TO PURCHASING AGENTS

Some Canadian manufacturers in the domestic trade confine their sales and the distribution of their goods in one city, town or district to one house and, in some instances, when their direct travelling salesmen came to Australia they followed the home procedure. Generally, that method is objectionable, and only exceptional circumstances should induce such a selling arrangement in Australian centres.

As an illustration, overseas manufacturers of corsets have usually one wholesale dry goods warehouse in each Australian state which carries stock and supplies the smaller retailers. This, however, does not prevent the travelling salesmen from the factory obtaining orders for direct shipment to the large importing retail houses and departmental stores.

A small commission is credited to the wholesale distributing house carrying large stocks to supply normal requirements, and also the sorting up trade of the importers usually obtaining supplies from the factory direct.

It is admitted that, in some instances, manufacturers favour exclusive selling arrangements with overseas importers of good standing, which entails one fair risk instead of a number of smaller accounts, and thus avoiding the necessity of several shipments and preparing the required exporting documents. It is also considered that purchasing agents must necessarily take a greater interest in the disposal of the goods

than the agent selling to all importers on a commission basis. It is the restriction that is objectionable, and also the incentive to those denied the opportunity of obtaining supplies looking for competing lines.

As a rule, it is not good policy for any manufacturer to confine the importation and distribution of his lines to one house in each Australian state. Some serious errors of judgment have been made in this regard when a good line has been introduced upon a purchasing agency basis. Competing houses, unable to obtain supplies, at once endeavour to obtain similar goods from other sources of supply and they rarely fail in doing so.

#### UNSUCCESSFUL CANADIAN AGENCIES

Some Canadian manufacturers have been anything but successful in placing their representation in Australia. Frequently this has been caused by appointing unsuitable men who had no knowledge of the goods and had neither the ability to learn nor the capital to exploit them. On the other hand, manufacturers are often disheartened too quickly as Australian buyers are conservative in regard to new lines of goods and products. To introduce new lines, however estimable in quality and value, requires patience, hence it often follows that when perseverance is essential to obtain the desired results the line is abandoned.

#### SUCCESSFUL CANADIAN AGENCIES

Admitting that, in introducing new lines of goods, products or machinery, the direct travelling salesman from Canadian industrial plants (provided he has the essential personality, tact and ability) is likely to obtain better results, it must be conceded that some Australian agents for Canadian manufacturers are men of high qualifications, and are accomplishing good work for their principals. Much, however, depends upon their support from headquarters, which is half the trade battle in these times of ardent competition.

It has been the experience of this office to receive complimentary letters of acknowledgment from Canadian exporters relative to the success achieved by agents who have been recommended after careful investigation into their special qualifications. While a volume of orders will continue to go forward to New York (and a few to London) commission houses, long established in this territory, yet the many advantages of having capable agents "on the spot" should emphasize that, in distant markets, there is generally no better method for the manufacturer to get into direct touch with overseas buyers of undoubted position and good repute.

Comparatively young, aggressive, dependable and tactful agents, with limited financial resources, who have to establish their position as the result of personal efforts, as a rule obtain better results for their oversea principals than old-established firms of undoubted financial strength which have many other interests to consider. This factor should not be overlooked when Canadian manufacturers are arranging their oversea representation.

#### FINANCIAL RESPONSIBILITY OF AGENTS

In Australia at least, agents are generally considered to be the authorized representatives of their principals, despite that such authority may be limited by contracts made with their principals. In opening up new accounts, concerning which the interested Canadian manufacturers have had no previous knowledge, the usual procedure is for the Australian agents to forward, with the original order, a report as to the position of the buyers from the local offices of mercantile agencies of repute such as the R. G. Dun Company, Bradstreets, etc.

It is a rare exception for agents to endeavour to secure orders from risky accounts, as any loss incurred does them serious injury with their principals, besides in all probability losing their commission on the sales involved in such losses, and possibly the agency as well.



It is not usual for agents to make collections in behalf of their principals, but frequently manufacturers who ship direct to Australian buyers attach a slip to their bank draft stating "in case of need refer to . . . ." (their agents, giving address).

In giving this instruction to the bank collecting the draft, the agents are often able to straighten out any difficulty or misunderstanding that may have arisen, thus facilitating the interests of the shippers by avoiding charges which might otherwise be incurred.

Unless there is a special agreement to the contrary, Australian agents for over-sea manufacturers do not sell goods on their own account, as they act only as agents for their principals. The financial position of agents is rarely a matter of importance to their principals, for seldom is there occasion to extend credit, except—in some instances—to the limited extent of the value of necessary samples. Their monetary responsibility can, in such cases, be accepted as altogether subordinate to their moral responsibility.

#### REMUNERATION PAID TO OVERSEA AGENTS

It is an enigma why some Canadian manufacturers, alert in going after domestic trade entailing the necessary expenditure of maintaining their own travellers, are so extremely parsimonious in the terms offered to oversea agents. In opening up initial trade there is frequently considerable unavoidable expenditure required to introduce new lines of goods, products or machinery into the vast Australian Commonwealth which some manufacturers apparently consider should be defrayed by their agents. After considerable experience in this regard, many Australian agents now decline to take on this hard missionary work unless there is—at least, for the first year or two—a special allowance granted over and above the selling commission agreed upon, to enable them to exploit the principal importing centres in their territory.

It is entirely a matter of agreement between Canadian manufacturers and their agents as to the basis of commission and allowances which are to be paid to overseas representatives. There is no fixed rule in this regard as it almost entirely depends upon the character of the goods to be sold.

In iron and steel products of recognized makes, the question of selling is generally only that of a competitive price. Samples are not required and—as an illustration—agents in Melbourne or Sydney, on receipt of cable quotations, telegraph to leading buyers all over the Commonwealth and secure the business without incurring the cost of travelling, but it is the usual practice to visit the principal importing centres several times a year in order to keep in personal touch (which counts much) with prominent importing houses. Hence, in this trade, leading to large figures, the selling commission is lower than when agents are compelled to carry samples (*e.g.*, dry goods) and visit all importing centres at seasonable periods.

#### CABLING CHARGES OF AUSTRALIAN AGENTS

As such a large volume of business is, particularly in these days of uncertain markets, transacted through cabling for quotations and subsequently confirming orders, or advising manufacturers that quotations from other sources are lower, the cost of cabling involves considerable expenditure and, in frequent instances, is altogether out of proportion to the commissions earned by agents on sales which are effected. There is also, particularly on bulk or heavy lines of merchandise, the cost of sending telegrams from the agents' offices to half a dozen or more importers in each of the other Australian importing centres, which—combined with postage and petties—aggregate considerable figures.

While some manufacturers—particularly British—reimburse their agents for cabling and other essential expenditure (incurred in their interests), it is a recurrent cause of complaint that some prominent Canadian manufacturers exporting to Australia do not recognize the claims made by their agents in this regard.

Frequently there is no other way of endeavouring to obtain orders, or to obtain quotations upon which to submit short dated tenders, than to use the cables. This essential expenditure has to be met by the agents, and it obviously may occur that manufacturers are not advised of business of considerable magnitude because their agents cannot afford to pay the cost of the cabling charges.

There may, until agents have proved their ability to secure business, be sufficient reason for declining to pay—or share—the cost of cables and telegrams, but if manufacturers in other countries recognize their moral liability in such matters, it may well be asked why Canadian exporters should not also endeavour to render practical assistance to their agents in defraying these charges in their entirety, or at least sharing the expense in equal portions.

#### SETTLING COMMISSIONS EARNED BY AGENTS

The great majority of Canadian manufacturers represented in Australia recognize that, when their agents have earned their commission, it is in their own interests to promptly remit the amount involved—as arranged—from time to time.

It is often a very serious matter to agents not to receive their commission when it is due to them, as some of the most successful agents are men with comparatively limited means, and their living expenditure and the cost of running their business must be promptly met. In some instances, years have elapsed after the goods were sold and paid for before—after repeated importuning—manufacturers have adjusted claims for commission honestly earned. While such cases are admittedly the exception, yet it is obvious that such delay reflects unfavourably upon Canadian commercial methods.

Prompt payment of commissions is emphasized for the threefold reason that it represents a just liability; that it establishes the confidence of exporters in their oversea agents, and confers a practical encouragement upon the recipients to make even greater efforts to secure a larger volume of trade. Ordinarily, in the form of a direct remittance from the manufacturer, settlement for commission on sales is made every three months or—in some cases—every six months.

Such payments generally cover commissions on all shipments to the agents' territory, through whatever source the orders are received, that is if received direct from buyers, through commission houses, or from the agents.

#### HOW TO SECURE PERMANENT TRADE

If Canadian manufacturers expect to establish their products permanently and successfully in Australia, they should—if possible—send out their own representative and practically assist him in the hard initial work of introducing their lines into a somewhat conservative and well catered for market.

It is admitted that the expense of such methods prevents many Canadian manufacturers undertaking the exploitation of distant markets, but it should be a comparatively easy matter for three or four non-conflicting industries to combine in engaging a capable representative and keep him constantly or frequently on the ground. Such is the procedure that has been successfully followed for many years in Australia by manufacturers in other countries.

In passing, it may be observed that some Canadian travellers—probably quite successful at home—have been comparative failures in Australia, as they arrived with no discretionary powers and entirely ignorant of the intricacies of export trade.

When it is impracticable to send out a direct factory representative, the only alternative is to secure the services of energetic and reliable agents in Australia. To the knowledge of this office, in many instances where such representation has been obtained, the business has increased at a satisfactory ratio. At the same time, it is only fair to state that, where success has been achieved, the practical and persistent co-operation of manufacturers has been maintained far beyond the rather expensive initiative stage.



The position as between Canadian manufacturers and their oversea agents can be summed up in the word "confidence." When the services of the right men are obtained, then should follow co-operation, encouragement and prompt attention to their advices and suggestions.

## NEW ZEALAND

### TRADE COMMISSIONER W. A. BEDDOE

The question of representation must be determined by the conditions governing trade with various countries. Distance from Canada is an important factor and affects the proposition in several ways. There are three outstanding methods which apply to New Zealand:—

1. Direct representation by a branch house.
2. Occasional visits by accredited members of the home staff, or by a partner, as the case may be.
3. Appointment of an agent.

With respect to No. 1, the establishment of a branch entails heavy expense and can only be justified by the expectation of a large and growing business, and with commodities largely in demand. There is much to recommend this method. In many cases it can be adopted after the experiences of No. 2 and No. 3, which will prove valuable in determining the permanent solution.

There are four centres of business and population in New Zealand—Auckland, Wellington, Christchurch and Dunedin. In case of direct representation of the home house, it would be advisable, although not absolutely necessary, to establish a branch in each of the above cities. Each branch could serve the population tributary to any given city. This would naturally contemplate a business of considerable proportions.

Regarding No. 2, it is most desirable that some person familiar with the business should visit the importers here and discuss affairs face to face. The experience of this office has been that such visits have been followed by a greater volume of business. The large buyers of New Zealand regard it as a compliment when a personal representative of a Canadian firm makes a long and expensive journey, and in following correspondence they can visualize the man to whom they are writing. This is a very distinct advantage and there are many examples to prove it. The knowledge derived from such a visit leads to an intelligent decision as to opening a branch or appointing an agent.

The person sent to represent the house, whether a principal or an employee, should be a man of good address, education and accustomed to associate with gentlemen. He should also be equipped to speak to business men of the Chambers of Commerce, if necessary. He should never forget that to an extent the honour of Canada is temporarily in his keeping and conduct himself accordingly. It is unnecessary to add that he should be in a position to present the case of his principals intelligently.

As to No. 3. The business may not warrant the opening of a branch or the sending of a representative, but it is then advisable to have an agent. Business usually goes to those who look after it and seek it, and in the absence of any specific representative, firms drop out of mind. It is important that an agent should represent one firm only dealing in a certain class of goods. Should one person here represent several houses in Canada, dealing in the same goods, he must necessarily favour one at the expense of the others, who would be practically unrepresented. If one firm secures the agency for several houses in Canada supplying the same goods, he prevents others doing business with them, and eliminates competition.

The importance of having an agent in New Zealand is exemplified in case of dispute as to character of goods breakage or shortage. A man on the ground can get the facts at first hand accurately and quickly, and can properly represent his principals. It applies also in cases of destruction of cargo on vessels, where the question of

general average arises. The firm in Canada with a large shipment would be in a much better position in case of such negotiations if personally represented by one who knew the facts, and in a case like this matters can be adjusted by cable without lengthy correspondence with Canada.

For a number of years this office has asked that Canadian firms send for filing purposes the names of their representatives in New Zealand and their cable addresses. This would afford an opportunity of following up the business to see whether or not it was being neglected or the best results being obtained. This is a very important matter and has been referred to for years with very slight response.

## SOUTH AFRICA

TRADE COMMISSIONER W. J. EGAN

Although it is an accepted fact with all Canadian manufacturers and wholesale traders that representation in the different selling fields in the Dominion is essential, and consequently all their business experience and acumen are brought to bear in making their selection of a representative for each territory covered, in nearly all cases there is a very different outlook when the question of overseas representation is under consideration.

Experience has proved the necessity for representation in overseas markets, and the value of export trade to the manufacturer in assisting to provide continuity of employment for his workers, in holding down production costs, and, in a general way, to the country as a whole. It is true that some overseas fields may be covered by representation in certain great centres of trade, commerce and finance, more particularly in London, England, as regards Canadian exports, but this does not apply to South Africa.

In a short visit made to Canada by the writer in 1913 from Manchester, England, prior to taking up his duties as Trade Commissioner in South Africa, it was found that the average firm interested in export was obsessed with the idea that their only chance to do business in South Africa was through the medium of confirming or shipping houses. (The latter, of course, never disabused their minds in this respect.) Even in 1919, during a thorough business tour throughout Canada, in spite of the fact that proofs to the contrary had been furnished, firms still leaned to this idea. Of course the business that had been and was then being secured so easily from competitive bidders was to some extent responsible for this, but it is to be hoped that the lessons of the past two years will have done much to bring about a more business-like attitude, and that Canadian manufacturers will take their courage in both hands, for the purpose of securing trade in a field anxious to do business with Canada for at least its North American requirements, and one with growing possibilities which can be worked at a lesser original cost than it takes to open a new selling territory in Canada.

In 1913, after the writer had taken up his duties in South Africa, a thorough investigation of all the conditions covering the import trade furnished convincing proof that representation on the spot for Canadian firms was the only sure way of securing and holding a trade in the Union. It was not only the evident facts that were convincing. The leading importers and departmental buyers all expressed a desire to trade with Canada, but always with this proviso: "Unless we see Canadian samples, obtain your quotations, and meet your representatives, it will be impossible for us to really know what Canada may be to us as a source of supply."

As a result of conviction from the first investigation of this market, and from previous experience, the Trade Commissioner has made representation the keystone of his work on behalf of Canadian trade, and the results shown have proved its value, not only on what has been secured in the past, but on what has been held in the immediate difficult past and is now being obtained for Canadian firms by working representatives in the field.



## THE IDEAL REPRESENTATIVE

The ideal representative would of course be a Canadian familiar with the line or lines carried by his firm; one who knows the factory conditions and its shipping possibilities. Before embarking for South Africa, he should make a study of South African trade figures and data (which one presumes would be on his firm's files), supplemented by correspondence with the resident Trade Commissioner, or by data published from time to time in the *Commercial Intelligence Journal*. If perchance these were not immediately available, and a decision were made to cover the South African field in the near future, the Director, Commercial Intelligence Service, Ottawa, would readily answer inquiries, and the replies would be sufficient for the inquirer to study on his way out. If possible, notice should be sent ahead to the Trade Commissioner, but in any case the Trade Commissioner should be called on immediately on arrival at Cape Town. This interview would allow the Trade Commissioner to co-operate as fully as possible with facts and data of all kinds concerning routing, licenses, the firms to call on in each centre, the names of departmental buyers, intimate facts concerning the competition to be met, and in answering in the fullest manner possible all inquiries submitted by the representative.

## APPOINTMENT OF LOCAL AGENTS BY FIRM'S REPRESENTATIVE

If the Canadian company interested in export cannot arrange to keep their own factory representative in the field, the next best course is to send out a representative to go over the territory and appoint a local agent or agents. The value of this method rests in the fact that on his return to the plant, or factory, there will be some one there with a first-hand knowledge of what the market requires, who will know the several buyers, and, in an intimate way, the agent who has been selected. In addition to enabling the representative thus sent to interpret intelligently the demands made on his firm by the buyers, or the agent, he can further judge to advantage if the trade that is being secured is all that it should be. In the writer's opinion, return visits every three or four years by a factory representative will always be of value.

In connection with this phase of representation from the factory, either initial or permanent effort, the principals interested in making the selection must keep in mind the character of the representative as much if not more than his selling ability. Much might be said on this point, but it may be sufficient to add that in most foreign fields, particularly in tropical or sub-tropical countries, the representative must have a level head and sufficient strength of character to keep a grip on himself, should the feeling of slackness or worse inclinations, endeavour to assert themselves.

The next best form of representation for almost all lines of export from Canada is through some established agent or agency firm.

## THE SERVICE OF THE TRADE COMMISSIONER'S OFFICE

The most satisfactory method of securing such an agent is through the medium of the Trade Commissioner's office, either by advising the Commissioner of preparedness to export through a local agent or by getting into correspondence with agency firms whose inquiries have appeared in the *Commercial Intelligence Journal*.

A contract for representation with a personal applicant from South Africa should never be concluded unless he has an introduction from the Trade Commissioner, or references of an outstanding character. It is always best to make full and specific inquiries about him before making a final contract. (Action to the contrary has been an expensive method for several Canadian industries.)

## POINTERS FOR CANADIAN EXPORTERS

(1) If it should be decided to ask the Trade Commissioner to recommend one, or several agency firms, it is necessary to give him just such information as the firm itself would require if they were endeavouring to secure the best kind of agent.

(2) If possible, samples of what the firm have to offer should be sent to the Trade Commissioner—not necessarily a full range—and a draft, or money order, covering the customs duties and landing charges on the samples. (Catalogues and price lists should be sent, the latter to include, in the f.o.b. Canadian port or factory price, the commission the firm are prepared to allow the agent; advise what the commission is.)

(3) If the range of articles for export is of a character that requires missionary work in placing it on a new market, what the firm are prepared to contribute in this connection and on what conditions should be stated. As a rule, and almost without exception, it is recommended that an agency without subsidies should be concluded, but there are certain articles that require special endeavour, and the Canadian inquirer for an overseas representative is surely the best judge of that, from his home experience.

(4) If the line of export requires advertising, this should be stated and the conditions laid down. Catalogues, if not additional data, should be submitted, giving full information about the packing, such as quantities to parcel, parcels to case, size of cases, crates or bundles, and weights of same.

(5) A c.i.f. price South African ports is a decided leverage in securing South African business, but the representative should be advised of f.o.b. Canadian price so that if necessary he may compute for the prospective customer the actual laid-down price in the warehouse. Remember that the commission to the representative is based on either factory or f.o.b. Canadian port price only.

(Every advantage given the representative in quoting laid-down cost is a decided leverage in securing and holding trade, and the giving of a c.i.f. price is no trouble beyond a little clerical work. The Elder-Dempster Company's agents in the Board of Trade Building, Montreal, are easier of access to the Canadian firm than they are to the importer in South Africa. Their agents will always quote the ocean rate, which should always be competitive with United Kingdom or European ocean freight rates, if the competition to be met includes these sources of supply to South Africa.)

(6) In requesting the services of the Trade Commissioner in the recommendation of possible agents, advise him of the manufacturer's preparedness for continuity of shipment, time required to ship from receipt of order, and the quantity that orders will be accepted for.

(7) Owing to the system of indenting after a line has been found satisfactory, and before the return of the traveller, a decision must be made to give the representative credit for all sales on his territory, and an agreement reached to advise him of all orders received from him and other sources. There are some firms of good financial standing in the Union who have peculiar methods of trading, and once a line is found acceptable to the South African trade, they will place orders direct, or through their confirming houses at a price less than what they believe to be the commission allowed to agents; these must be referred back to the agent. If of course the size of the order warrants acceptance of the business, the representative must be covered for the commission, and notification of the same sent to him.

(8) State how commissions are intended to be paid and how often.

(9) It must never be suggested that on the price quoted the representative is to add his commission; if this should be done, it is a question of what kind of representation will be obtained. This office has never known of established agents accepting an agency on such terms.

(10) If the range handled requires demonstration, such as machinery or proprietary lines, state whether prepared for consignment to the agent, and the terms covering same.

(11) If the firm have ever exported to South Africa state this and advise through what medium.

(12) If the firm have been represented in South Africa, give full particulars.



(13) If represented for South Africa in London, England, give some outline of the form of contract, and when it expires.

(14) If represented by some New York or Boston firm of selling agents or indent house, give full particulars.

(15) If the wares are advertised in American or English papers, do not quote at higher prices for South Africa. (This office has had bitter experience in this connection.)

(16) If the article exported is of an engineering nature, state whether the manufacturers are prepared to send a factory expert over for the work of construction, should orders be secured.

(17) If any one Canadian firm is convinced that representation by their own factory expert is essential, but that for their line alone the cost of endeavour may be too high, they should give further consideration to co-operative representation by talking it over with brother manufacturers in kindred or other lines.

(18) The securing of the proper kind of representation this office knows, from experience, to be a very difficult task; it is accordingly essential that all exporters or prospective exporters seeking representation should send in detail just the kind of information they would require if offered an agency proposition from a firm six to eight thousand miles distant.

(19) If the firm decided to make their own arrangements for representation through the medium of applications published in the *Commercial Intelligence Journal*, follow along the same lines, but be sure to advise the Trade Commissioner either during negotiation or on conclusion of same, so that this office may co-operate with him at all times.

(20) In the case of direct negotiation with agency trade inquiries, it is futile to write to these applicants as if they were importers. The writer regrets to record that many Canadian firms adopt this method, but it is sheer waste of time and money. If the notice in the *Commercial Intelligence Journal* states that an agency is sought, it is an agency, and not a purchase inquiry. The latter are as plainly indicated as are the agency inquiries.

(21) With the exception of such articles of export as agricultural implements and machinery, dairy implements and machinery, mining and other machinery, and lines which lend themselves to firms making a specialty of these trades, and who are organized with field staffs covering all territories, the best representation is by one firm covering all centres, and calling on all merchants.

(22) As a rule, representation by the importing merchants limits the Canadian exporter's possibilities to the trade of that firm only, as other firms will naturally handle other articles of a similar nature which are not tied up to one firm of merchants.

(23) Travelling in South Africa, when a sample room is not required, will average \$10 a day at the lowest, and if carrying trunks, \$15 a day is a conservative estimate.

(24) All the four provinces require a license, and the charges will vary according to number of firms represented, from \$100 up annually.

#### SERVICE

To secure and hold a trade in an overseas field requires representation, competitive prices, the best packing, and up-to-date methods in invoicing and correspondence.

While all the above points are essential, the last mentioned (correspondence) brings home the point of service, which must be of the highest standard and in evidence at all times when dealing with export trade, but which in the correspondence must make each of your overseas customers feel that they in particular are in personal touch with the exporting firm, and that at all times it is with great pleasure that service is given them.

There can be no question about it, if the Canadian producer or manufacturer expects to secure and hold business overseas, *he must be represented.*

## BRITISH WEST INDIES

### TRADE COMMISSIONER E. H. S. FLOOD, BARBADOS

Trade between Canada and the British West Indies has been carried on over such a long period that the methods employed in conducting it are pretty well known to exporting firms in both countries. To those firms, however, who have only recently entered the trade, it would seem desirable to set out the methods of representation that have gradually developed as the trade between the countries has increased.

Prior to the preference granted by Canada to the West Indies in 1897, the bulk of the Canadian end of the trade was confined to the Lower Provinces and part of Quebec. Merchants from these provinces visited the West Indies regularly selling their lumber, fish, and a few other items, and buying sugar and molasses. In return merchants from the West Indies visited Canada and were able to effect sales of their staple products and to enter into arrangements to act as agents in the West Indies for Canadian houses requiring these products. Representation at this time was direct between the merchants themselves and in a sense personal, and was not effected through the medium of commercial travellers or firms acting as middlemen.

Trading with the United Kingdom was conducted during these years in pretty much the same manner, the difference being chiefly in the fact that the West Indian firm generally made the visits. Representatives of the larger firms are still visiting the Mother Country, chiefly those engaged in the sugar trade, for the purpose of selling, and in the dry goods trade for the purpose of buying. In the dry goods and other kindred trades, however, the manufacturers are now sending out their travellers and showing their samples through the West Indies. This change from personal buying to buying through the commercial traveller indicates perhaps a general tendency in trade. At all events the change has taken place, to some extent, in the West Indies.

#### REPRESENTATION IN THE DRY GOODS TRADE

As stated above, the more important firms send their buyers to the United Kingdom, and in some cases even a member of the firm remains there permanently to watch the market. Nevertheless the bulk of the trade, the writer believes, is done through commercial travellers. These travellers are to be seen at all times in the important centres of the West Indies and work the trade thoroughly. Some of them represent more than one firm, carrying several different lines of dry goods, including millinery, boots and shoes, saddlery and leather fancy goods. The time taken to cover the islands would necessarily extend over several months, and it is evident from the length of their stay that it is found profitable to conduct the business in this way. So general has this method of selling become in the dry goods trade that it is not unusual to see two representatives from the United Kingdom visiting the islands at the same time.

Manufacturing firms in the United States in the dry goods trade also send their representatives with samples to these islands, and their lines are well known. No representatives of these firms are, however, resident in the West Indies, yet their goods are fully shown by local agents.

Canadian firms have in recent years sent down occasional travellers, and are represented to a small extent by local agents. The principal Canadian lines of dry goods which are at present shown are underwear of silk and cotton, some cotton and silk textiles, a small line of hosiery and men's wear, and kindred lines of white canvas and rubber footwear.



## GROCERY TRADE

The custom of the grocery trade in Barbados and to some extent throughout all the West Indies, is to send orders to commission houses who are acquainted with the products and manufacture of their own country and act in the interest of their customers in making purchases, in payment for which a commission is charged. This method is adopted in placing orders in the Canadian, English and New York markets, but in the two latter, besides these commission houses, there are wholesale grocers who carry a great range of goods in the grocery line, specially for the export trade, and are in a position to fill orders promptly without a commission. These houses issue regularly illustrated and descriptive catalogues of their goods with current prices which greatly facilitates business. As far as is known, some catalogues are issued in Canada. Recently, however, some commission houses in Halifax are sending price lists fortnightly to the West Indies, but not much business appears to result, offers being made instead by cable. It is suggested as a reason for this that the brands of Canadian goods are not as well known to the trade as those in England and the United States. The general method of buying through commission houses is said to be due to the fact that the quantities ordered are not large enough to be supplied directly by the manufacturers, but that the variety of the orders make them valuable to the commission houses. In feedstuffs where quantities are large enough for direct shipment, as in bran and pollard, oats and hay, representation is direct or through an agent.

## REPRESENTATION IN THE MACHINERY TRADE

In 1921 the imports of machinery into Trinidad alone valued over one million pounds sterling, of which more than one-half classed as "mining and accessory" was imported from the United States, and was probably all in connection with the oil fields. A large quantity of sugar machinery was also imported. There are several firms in the United States who issue catalogues and price lists of oil well supplies, and it is stated that their catalogues contain everything required in the oil industry. The firms keep in touch with the market, and a representative visits Trinidad every few months. Some of these supply companies have appointed agents there who act for them, and some of the oil companies have their own agents in New York. Unlike the sugar industry, the companies operating in the oil fields look after their own shipments and do all the installation work. One company that operates in Trinidad and Barbados has a very complete staff of engineers and workmen and does all its own installation. This company places its indent at its head office in London, from whence it is forwarded to their agent in New York for final execution and shipment.

In sugar machinery the trade has always been in the hands of the manufacturers in the United Kingdom. Advertising is consistently done, so that sugar planters are kept acquainted with the important machinery firms. This advertising appears in such English journals and trade papers as are read in the West Indies. With the information obtained from these advertisements, the planter is able to approach the local engineering firm and arrange for the purchase and installation of his machinery. Representatives of the sugar manufacturing interests frequently visit these islands and are in touch with the requirements of the trade. Very few Canadian salesmen connected with machinery visit the West Indies—in fact, at this moment the writer knows of only one Canadian firm who have a representative calling regularly, though no doubt there is considerable business to be done in some lines, such as windmills, oil and electric engines, lighting plants, and railway supplies.

It is suggested by engineering firms in Barbados that Canadian catalogues and price lists should be systematically supplied to them, so that when opportunity arises they may be in a position to recommend Canadian firms in the interest of their clients.

## CONSULTING ENGINEERS AS REPRESENTATIVES

About two years ago an engineer, well known in the West Indies, with his head office in Port of Spain, Trinidad, organized what he called "an alliance of engineering firms" for the purpose of acting as an agent for English manufacturers with the view of holding the market for their machinery, and of meeting the competition of firms in the United States. His object was to bring together the manufacturers of English machinery and the buyers for the various industries in the West Indies; to supply specifications and advice to clients as to the best machinery for their purpose; and in a general way to be the representative of English interests in these lines.

A consulting engineer in Barbados, with considerable experience in the machinery required in these islands, is now attempting to form a Canadian engineering alliance on similar lines to the one in Trinidad, which should be of interest to Canadian engineering concerns. He believes that a large field here is being exploited by American firms for certain kinds of machinery that could be equally supplied by Canada.

## REPRESENTATION IN THE HARDWARE TRADE

Quite a number of foreign firms send their representatives through the islands periodically showing their samples of hardware. Some lines, however, are shown by manufacturers' agents resident in Barbados or Trinidad. It is an advantage, however, for samples of artisans' tools to be shown by the representative of the manufacturing firm as changes occur in the styles and can be seen by the buyer and discussed generally, the knowledge of which is an advantage to both buyer and seller. Some lines of hardware, such as stoves, are selected from catalogues where the manufacturer is known and the quality of his goods can be relied on. Stoves are imported from Scotland and England with a few from the United States. Personal visits by members of Canadian firms manufacturing hardware, though not frequent, are noted by the trade here, and it is strongly recommended that an effort should be made for more adequate representation of Canadian hardware lines, and this can be brought about by personal visits of manufacturers more effectually than by any other method.

## FISH AND LUMBER

Newfoundland fish is supplied to the West Indies on consignment. Shipments are made to merchants who watch the market and effect sales at best prices.

Fish from Canada, such as dried cod, pollock, pickled herring, etc., is supplied from the Maritime Provinces. The trade is through St. John and Halifax and some other Nova Scotia ports. It is done on a sales basis, and representation is direct between the merchants in these cities and buyers in the West Indies. Regular visits are made by these merchants and the trade well looked after.

Canned fish—salmon, sardines, finnan haddies—is placed through agents appointed in the West Indies, or through Canadian commission houses selling direct to the trade.

Representation in the lumber trade is through contracting firms in the West Indies who receive quotations by cable from Canadian shippers for cargo lots, and then contract with local dealers for their supply of white pine and spruce before the cargo is shipped. Representation in the main is in this manner. Certain small shipments, however, are made directly to dealers on order.

The puncheon stave trade, which is a very important item of the lumber business, is a practical monopoly in the hands of one firm in the United States. The business is well represented, a member of this firm regularly visiting these markets and keeping in close touch with his customers. In the larger colonies an agent is appointed to assist the firm, but the representation may be said to be practically direct.

The Canadian share of this trade is small and is obtained by direct selling to local dealers in lumber who manufacture puncheons.



## THE TYPE OF COMMERCIAL TRAVELLER RECOMMENDED

It must be pointed out to Canadian firms that in selecting a salesman to meet the buyers in the West Indies, it should be kept constantly in view that the man to be chosen is to be one of steady habits, good appearance and address. In visiting the tropics an emphasis must be placed on good habits. Speaking generally, the salesman should be a man of character and above the average, and should not be of the aggressive type. A salesman of this type would find his methods wholly unsuited to the buyer in the West Indies. It must be insisted on also that he should be familiar with his own goods and have a definite knowledge of how they compare in quality and price with similar goods made in other countries. He should come with the determination to study the requirements of the market and to meet these requirements, if necessary, by changes of design in his own goods. The demand for a particular design in a manufactured article has been well met by foreign houses, and if Canadian firms intend extending their trade in manufactured goods they must also be willing to meet the demand. The Canadian representative should be, if possible, familiar with the process of the manufacture of his own goods, and have sufficient mechanical knowledge to be able to suggest the method by which any change in the style of an article he is selling may be made to meet the requirements of his customers.

The best working base for a Canadian traveller, after reaching the British West Indies, would be Barbados or Trinidad. All steamers passing through the Caribbean touch at these two islands. If Barbados is chosen, a traveller after making the required stay in the island, would probably choose next Demerara, going from there to Trinidad. From this latter island there are many services north and south, and a visit to the Windward and Leewards might be made afterwards by one of the regular steamers plying between these groups.

## WEST INDIAN COMMISSION HOUSES

A certain number of Canadian firms are placing their business in the hands of West Indian commission houses and find it to their advantage. These commission houses are generally in touch with the trade of their district, and some are doing good work and should be supported. It is nevertheless desirable that Canadian commercial travellers should still visit the West Indies, as no local commission house can possibly pick up all the trade. Canadian commercial travellers, it must be noted, are visiting these islands each year in increasing numbers, but in spite of the improvement too few are actually coming. Canadian firms who are about to enter into West Indian trade may count on the fact that if their representative has good business capacity he will be able, after his second trip, to appoint one of these commission houses that will look after his firm's interests in the future. Some of these houses have branches in all the islands, while others confine themselves to a more restricted area or to their immediate neighbourhood.

In addition to the commission houses in the West Indies, there has been established in the last few years a number of Canadian importing and exporting firms who are offering their services as buying and selling agents. Some of these firms have secured satisfactory connections with West Indian firms for supplying foodstuffs, and in some instances have been appointed as selling agents in Canada for West Indian products.

It is well known how the New York commission houses have in the past facilitated business between the United States and the West Indies, and it would be an advantage if more of such forwarding houses were established at principal Canadian ports. In the last few years, however, some such houses have been established and are soliciting a similar line of business as buying and forwarding agents for the West Indies. Such houses can expedite shipments and reduce the cost of freight where it would be excessive on small parcels.

## REPRESENTATIVES TO BE SUPPORTED BY ADVERTISING

Some foreign houses whose goods have found a market in the West Indies, whether these goods are placed on the market directly or through commission houses, find it to their advantage to do a certain amount of advertising in the local West Indian newspapers. Even proprietary articles known to every one, principally those manufactured in England, are so advertised. This is an important matter for Canadian firms to consider, as their representation in these islands would be greatly assisted if supported by some amount of advertising.

## JAMAICA

## With Notes on Distribution

TRADE COMMISSIONER G. R. STEVENS, KINGSTON

The mechanism of distribution is by no means as intricate in Jamaica as in industrialized countries, but the existent system has certain little peculiarities which may confront the unwary exporter. It is important that the intending or actual exporter should be familiar with the general scheme of distribution and representation in the area which he is attempting, in order that the success of his goods may not be jeopardized by improper connections.

There are three types of distributors in Jamaica, and as all function differently it will be necessary to examine them separately. These distributors may be classified as follows:—

- (1) The "great" houses of the colony, who may be known as the old-established general merchants.
- (2) Manufacturers' representatives, commission houses, brokerage and agency organizations.
- (3) Importing retailers.

## THE OLD ESTABLISHMENTS

As would be expected in a British colony, a large percentage of the trade of Jamaica rests in the hands of a group of general merchants, who have been established in this field for many years. Some of these merchants are offshoots of the great British trading houses, but the majority are indigenous to Jamaica. These merchants are general dealers in every sort of commodity, being both importers and exporters; in a fair majority of cases they are also ship chandlers and ship owners, maintaining departments of marine engineering and contracting. These houses are reliable beyond question, and in business methods are comparable with the best class of British trader.

These firms largely buy on their own account, but in addition they usually carry a large number of exclusive agencies, mostly, it must be stated, for their own use. Their relationship with the retail trade is of the best; indeed in many cases they have an almost feudal attachment in the retail trade. This arises from the fact that the general merchant places his goods with the retailer upon agreed terms of credit. As this credit is continuous, the retailer is more or less bound, each to his general merchant; it is certain that many of these old-established houses enjoy a retail clientele of which no aggressiveness could dispossess them. To this trade they cater excellently. They employ specialized salesmen who handle both the buying and the selling for their particular departments, and these salesmen know in a moment whether any commodity can be placed, and the precise purchasing price that will make it profitable to all concerned. Then (as is pointed out in detail in the report upon advertising in Jamaica, which was published in No. 951 of the *Commercial Intelligence Journal*), these merchants bear the advertising costs in behalf of their



retail custom. They advertise heavily, and this constitutes the particular advantage of the Canadian manufacturer in selling to them. In addition, payments are always assured, but must be arranged on their own terms. They take pride in their integrity. The Canadian Trade Commissioner was in the office of one of the best known of one of these established houses, when a notification of presentation of a sight draft was placed upon the principal's desk. Months before, they had placed a trial order with a well-known Canadian firm, and had not received the slightest acknowledgment. Prices had broken, and after two months' waiting the Jamaica general merchant had written cancelling the order. Their next intelligence was the presentation of the sight draft; no acknowledgment of order, no details of shipment, and no arrival of goods. (In justice to the Canadian firm, it must be admitted that they had written full particulars, but their letter had miscarried). It was plainly a case in which something might have been said for repudiation, but the merchant did not hesitate for a moment. "Pay it," he said.

There are, however, disadvantages to be considered in distributing merchandise through these old-established houses. It must be remembered that they are not so much representatives as general merchants. They retain their freedom to buy wherever the market is preferable, but they are not prepared to extend an equal privilege to the Canadian exporter from whom they buy. If they buy a line of Canadian goods and advertise the same, they will not appreciate the sale of the same lines to their competitors; but if, on the other hand, an exclusive agency is granted to such an established house, it will not protect the Canadian manufacturer if the same commodity can be obtained more cheaply from other sources. Then, as above mentioned, any such agency granted will be almost entirely for their own exclusive use. They limit their sales to their immediate clientele, and in addition are in a position to make a double profit upon goods placed; namely, the commission allowed by the Canadian exporter, and the wholesaler's margin of profit as well. A further disadvantage in placing goods through such houses is that small parcel sales do not interest them particularly, and many lines would receive little or no attention. There is very great opportunity for an agency to become dormant in such large importing houses.

In conclusion, therefore, it would appear that for the majority of lines, direct sales would be indicated in dealing with the old-established houses. Except for certain commodities (which will be named later in this report), there is little to be gained in offering exclusive agencies, as the sales will be limited to the house's custom in any case. In those instances in which agencies are given, if there is any possibility of making sales to the Government, a separate arrangement should be made, as the Government departments are very chary about buying supplies from firms which they consider, quite rightly, to be more or less retailers.

A list of the old-established houses, together with the principal lines which they carry, can be obtained upon application to the Director, Commercial Intelligence Service, Ottawa. Further information will be furnished upon application to the Canadian Trade Commissioner at Kingston.

#### MANUFACTURERS' REPRESENTATIVES

This class of distributor in Jamaica divides into:—

- (1) Established agency houses with warehouses and sample rooms; and
- (2) Brokers or commission agents proper, calling on the trade.

The vexed question of representation is as pertinent in Jamaica as elsewhere. There are many advantages in having such representatives. They cover the entire retail community, without reference to any one else's customers. Their sales are unrestricted, except by the ability of the market to absorb. Many of the best-known brokerage houses have an assured custom of their own, as permanent as that enjoyed by the old-established houses. A greater aggressiveness can be expected, as the profit

of the salesman is dependent upon his sales. Finally, there is absolute independence in the securing of tenders and Government business, and a freedom in making sales that no other class of distributor enjoys.

The disadvantages of such representation are as patent as its advantages. Manufacturers' representatives as a class have not recovered from the post-war influx to date, and in a business sense commission houses are unclassified. It is hard to decide who is who amongst them. There is a greater risk in payments, and it is difficult to offer equally favourable terms to them. A merchant will often sacrifice to hold trade, while a commission agent will rarely take a loss in order to make a sale. They cannot be expected to extend any better credit than the manufacturer allows them, and their collections will not be as rapid as those of a merchant. As a class, their financial stability is more open to question. In addition, there is always the possibility that an agent will press certain lines to the detriment of others, and that some of his lines may even become "buried" in his own interest, under the simple claim that prices were not right. Likewise, he cannot be expected to advertise unless immediate sales warrant such advertising, and the chance always remains that a disaster in one line will destroy the agent utterly.

Thus the choosing of a representative in Jamaica is, as elsewhere, the selection of the quick from among the dead. Fortunately, the business community of this colony is comparatively stable, and it is possible to forward with this report a list, not necessarily complete, of the more prominent manufacturers' representatives in Jamaica, which may be obtained upon application to the Director, Commercial Intelligence Service, Ottawa.

#### IMPORTING RETAILERS

With the development of retail businesses along modern lines, the class of importing retailers is increasing rapidly in Jamaica. In addition to specialty stores, such as jewellery, stationery, musical instrument, and chemist shops, there are a number of fairly large grocery and dry-goods shops which are steadily forming their own foreign buying connections.

There are certain advantages in sales to such retailers, chief of which is the elimination of the middleman, and the obtaining of a rock-bottom price and an unimpaired profit. There is also the very great advantage of direct connection with the market, the Canadian manufacturer knows immediately if his goods are "taking," and if not, why not. Financial soundness is assured, and the Canadian manufacturer is also assured of the advertising of his goods, for in contradistinction to the ordinary retailer, the importing retailer carries his own advertising, and in many cases it is very live and intelligent advertising. There is the assurance of excellent salesmanship in dealing with the consumer, since the success of these developing businesses lies in the quality of the owner.

The disadvantages of sales to importing retailers are equally manifest. Sales are made in small parcels, and there is no assurance of permanent connections. In many cases, likewise, these importing retail merchants will object to the sale of the same article to competitors. There is no possibility of obtaining Government business through such sources; it is questionable if an equal or even slightly superior price on any tender would secure the business for a retailer, as the Government officials would feel in their bones that there was something wrong with a best quotation from such a source. One of the largest exporters in Canada has eschewed connections in Jamaica to date on this ground, sacrificing retail business to some extent to be free of hindrance in bidding on big orders. It would therefore appear that only in such specialized lines as enumerated above would the Canadian retailer be justified in endeavouring to do all his business through the medium of importing retailers.

A list of the principal importing retailers in Jamaica, together with their particular lines, may be obtained upon application to the Director, Commercial Intelligence Service, Ottawa.



## Representation and Connections

While it is manifestly impossible to attempt to designate the type of connection that every Canadian exporter should endeavour to obtain in Jamaica, certain broad generalizations may be drawn which may assist the manufacturer who is considering representation in this field. Perhaps the easiest method would be to consider each class of Jamaican distributor in the light of those Canadian commodities which they are best fitted to distribute.

### THE OLD-ESTABLISHED HOUSES

A connection with one of the old-established houses, either by direct sales or more or less exclusive representation, is particularly valuable for such commodities as have a large and constant demand in Jamaica. Such commodities include bulk foodstuffs, such as flour, dried and pickled fish, pork and beef in barrels, dairy products and condensed milk; building materials such as cement, lumber, tiles and bricks; marine equipment and ships' stores, and perhaps heavy chemicals. These are commodities that require standing stocks, which the general merchant is best able to carry; there are likewise commodities whose demand is constant, and whose price must always be strictly competitive. The established merchant with his assured custom will undoubtedly be a better representative for such commodities, as for any other lines of goods whose introduction to the market imposes heavy expense and consequent risk.

### *The Chinese Trade*

Another factor is intruding of late in connection with foodstuffs sales, which limits the value of connections with the old-established houses in such staples as flour and dried fish. The retail grocery trade is fast passing into the hands of the Chinese, due to their great industry, content with low profits, and general excellence as traders. These Chinese are not linked with the old-established houses to any appreciable degree, and they will invariably buy from the most favourable source. Therefore a live broker, calling on the retail grocery trade persistently, can obtain very fine results with foodstuffs lines, including flour, and in less degree pickled fish. As almost all the old-established houses have flour and fish connections of long standing, Canadian firms entering Jamaica may have to be content with representation by a grocery broker; in which case the choice of agents is very important, as the number who can command any particular amount of flour and fish business is comparatively limited.

### MANUFACTURERS' REPRESENTATIVES

Canadian firms should be represented by manufacturers' agents, commission houses or brokers, in introducing the following lines into Jamaica:—

(1) Almost all food products and beverages, including general grocery lines, canned foods of all kinds, jams and jellies, confectionery, packing-house products (except butter and cheese), beers and aerated waters. The problem in choosing a representative in these lines is to determine the extent and value of the agent's connection with the Jamaica retail grocery trade.

(2) Automobiles and automobile accessories. A connection with one of the prominent garages is preferable in such lines, and failing this, the agency should be placed with a prominent commission house specializing in machinery. A connection with the retail hardware trade cannot be recommended.

(3) Machinery (including engines, motors and boilers) should be placed with one of the well-connected commission houses. Several of the leading firms of ships' chandlers and marine engineers maintain an agency department, and such departments are in a position to afford reliable and aggressive representation. Business machines and sewing machines are in the same category. In many cases such agents in practice would be retailers, at the same time remaining in a position to bid for any extensive business which should develop.

- (4) Footwear.
- (5) Textile piece goods.
- (6) Paints, varnishes, polishes and dressings. The variety of these articles prevents the carrying of heavy stocks, and an agency is generally in a preferred position for the placing of such supplies.

#### HINTS REGARDING AGENCY CONNECTIONS

Without being in the least didactic, the writer would suggest the following points for the consideration of the Canadian firms who would achieve permanent happiness in their agency connections:—

(1) Make haste slowly in the original choice. Use the banks and any other available source of intelligence for information upon the man or firm under consideration.

(2) In the first instance, the most satisfactory contract is the short one. In the case of flour and fish and perhaps other grocery staples for which an undoubted market exists, there should be some sales guarantee embodied, sufficiently flexible to give the agent every chance, and sufficiently rigid to avoid sleeping representation.

(3) If it is at all possible, the representative should have advertising support at the beginning. A satisfactory introduction goes a long way towards a permanent demand.

(4) A very marked tendency of manufacturers' representatives is to permit collections to lag, so that there is some hold upon the retailer for further orders. This is bad business, and the beginning of worse debts. Collections should be kept up to the minute, and the manufacturer should see that this is done.

(5) Whether immediate sales are being made or not, the representative should keep his exporter posted on current competitive prices. Failure to do this is the beginning of much discord. When a manufacturer and his representative state that they cannot understand each other, the failure to send price reports is at the bottom of the trouble in a majority of cases.

(6) Any representative should be instructed to keep his eye upon rural sales. Where there is only a single trading centre in the colony, the tendency is prevalent to consider Kingston business as paramount; but 95 per cent of the inhabitants of Jamaica live outside of the capital.

#### IMPORTING RETAILERS

The specialty product, having such a small field available in Jamaica, gains little in an agency connection. In addition to specialties, there is one general line of goods which can be sold direct to advantage. Such a line is general hardware. There are only a handful of hardware concerns which matter in Jamaica, and these firms are breaking away from local buying as largely as possible. For lines of small construction hardware, kitchenware and household furnishings, electrical specialties of cheaper nature (such as flash lamps and domestic specialties), glassware, furniture, sanitary supplies, mechanical fittings, wire fencing and barbed wire, tools and woodenware, any offers should be addressed to the retailers of hardware, or to the Canadian Trade Commissioner, who will put such offers before them. Other lines of a more or less specialty nature which should be offered direct to retailers are as follows:—

- (1) Musical instruments; (2) jewellery; (3) stationery and general paper products;
- (4) sporting goods; (5) toilet requisites.

While such marketing may seem rather small business to large Canadian exporting houses, yet it is the beginning of an assured connection when it is attempted seriously, and represents the only successful way to enter this market with such commodities. The value of the market will be better understood when it is remembered that there are more than a score of British colonies in the Caribbean



with conditions which roughly approximate those existent in Jamaica, and the combined demand for any particular commodity amounts to a volume of business well worth obtaining.

#### COMMERCIAL TRAVELLERS

Unfortunately, the sending of Canadian travelling salesmen to Jamaica is impracticable, save for a limited number of lines. Jamaica is on a Spanish trade route, and the only markets available on this route to a traveller untrained in Spanish business are the Bahamas and Jamaica. It is questionable if the sales will support the expenses of travelling representation in such a limited field. In the case of Canadian firms who employ travelling salesmen on the west coast of South America, Jamaica should surely be included in their itinerary, but until transportation connections are established between the eastern and western British Colonies in the Caribbean, there will be practically no incentive for sending the West Indian salesman to Jamaica. There are perhaps three or four lines of goods which should be sold in Jamaica by travelling salesmen. There are at present pharmaceutical travellers coming from Canada, and the placing of such products can only be successfully done through this method. Then there is a boot and shoe market, worth something under \$1,000,000 yearly, which is held at present by United States manufacturers, and which might be very successfully attacked by a Canadian traveller. For hardware, very good business could be obtained through the co-operation of a group of manufacturers, who would send a single traveller carrying several lines. In textile piece goods, the only way to obtain any share of the trade would be through a visit of Canadian representatives, who would investigate thoroughly before attempting any sales. Beyond these enumerated lines, the expense would outweigh the advantage of sending travelling salesmen to Jamaica.

### INDIA

#### TRADE COMMISSIONER H. A. CHISHOLM, CALCUTTA

The general aspects of the problem of representation in India have been carefully treated by Mr. Pousette in Chapter XIX of his report on *The Indian Empire as a Market for Canadian Products*. In this report the writer proposes to deal only with more detailed aspects of the problem facing a Canadian manufacturer or exporter wishing to introduce his goods into India.

This matter of representation in India is of great importance to Canadian firms on account of the increasing interest shown by Canadian exporters in the Indian market, and also on account of the comparative ignorance on the part of Canadian firms of conditions surrounding the export trade to India. The average well-established Canadian manufacturer or exporter now has a considerable knowledge of export conditions of trade to Europe, South America, and the other dominions of the British Empire. India is so far away, however, and Canadian trade with India has been, until three or four years ago, so infinitesimal that it would not be reasonable to expect Canadian firms to have any knowledge regarding trading methods of this great country.

#### A DIFFICULT PROBLEM

Compared with his experience in other parts of the world, the writer has found the problem of Canadian representation in India peculiarly difficult. On the one hand there are the big British merchant houses established in India for many decades, extremely rich and powerful, and often with more business than they can look after. The richest of these firms are usually very conservative, and are loath to make further commitments with regard to taking on new lines of merchandise. In his visits to these firms the writer usually receives the best of courtesy, but as soon as

Canadian agencies are mentioned one is very often met with the answer: "We have more business now than we can properly look after; we are perfectly satisfied with our English lines; and we are sure that we cannot do justice to a Canadian line of goods." The writer has been able to place certain Canadian agencies with a few of the old-established British merchant houses who have adopted a progressive policy and who have recently enlarged the scope of their business. The number of these firms, however, is very limited, while the number of new lines they are willing to take on is even more limited.

On the other hand, this office has received many applications from small Indian importers and merchants wishing to get hold of Canadian lines. In a great many cases the writer has found that these inquiries fade away when bank references are requested or the bank report is not satisfactory. Let it be understood that there are several first-rate Indian importing houses whose bank references are A1. But the fact remains that the majority of native firms who apply for foreign agencies are not safe to deal with except on a cash basis.

We have therefore the two extremes—on the one hand, the long-established rich and powerful British merchant house which declines to accept any more business; and on the other hand the native merchant who is looking for new business but to whom it would not be advisable to extend any credit. How is the Canadian exporter, then, to arrange satisfactory representation in India? To understand this problem it will be necessary to approach it from different angles, as follows: first, the geographical; second, the different types of firms to choose from; and third, the class of goods to be marketed.

#### FIRST—GEOGRAPHICAL

India is more a continent than a country, and for the purposes of the exporter to India this continent may be conveniently divided into five districts, each served by a large port. These districts in order of their importance are served by the following ports:—

(1) Calcutta.—Calcutta contains the head offices of most of the great merchant houses importing machinery and railway materials and exporting jute, tea, shellac, hides, etc. Calcutta is therefore the first place in which representation should be arranged simply because from Calcutta a larger market may be tapped than from any other single port in India. Also, if a Canadian firm is successful in arranging representation with one of the major firms supporting branch offices in the other leading ports of India, the whole country is thus covered through the one representative.

(2) Bombay.—Bombay exports practically all India's cotton, while imported goods for the most of Central India and a good portion of Northern India pass through this port. Bombay's trade is only slightly less than that of Calcutta.

(3) Karachi.—Karachi is said to have made greater progress in recent years than any other port in India. Karachi business may often be arranged through Bombay, but it is more satisfactory to place an agency direct with firms operating offices in this port. Karachi is India's wheat port, and it shares with Bombay the import trade for Northern India.

(4) Rangoon.—This port serves the whole of Burma, which is said to be per capita the richest portion of the Indian Empire. Burma has immense resources in oil, rice, and tropical hardwoods. Burma may be covered from Calcutta, but in the majority of cases representation should be arranged with a firm operating an office in Rangoon.

(5) Madras.—Madras is the chief port for the eastern portion of Southern India. Several Calcutta firms maintain branch offices in Madras. Unless the Canadian exporter's representative in Calcutta has a branch office in Madras, it would be necessary to arrange separate representation in this port.



Where it is possible, it is better that a Canadian exporter should be represented in India by one firm with a head office in Calcutta and with branches in other portions of the country. Where this is not possible, a Calcutta firm with correspondents in other portions of India will serve the purpose, but it would be still better for representation to be arranged in each of the five centres mentioned.

In some cases it may be found advisable to be represented in Northern India by a firm in Lahore, Delhi, Lucknow, or Cawnpore. The matter of complete representation throughout all parts of India need not from the outset engage the attention of the Canadian exporter. Once he gets his line well established in Calcutta or Bombay, it will be an easy matter to get his line introduced into all parts of India.

#### SECOND—THE DIFFERENT TYPES OF FIRMS

*Type No. 1: the large British merchant indent house with office in London.*—Nearly every importing British merchant house in India maintains an office in London. Two or three of the senior partners of the firm who have spent perhaps twenty or thirty years in India control this London office. The average major British-Indian merchant house often controls dozens of subsidiary concerns, such as tea estates, jute mills, cotton mills, collieries, etc. They are termed the managing agents for these subsidiaries and indent through London for most of their supplies. They also market the products of the tea estates, jute mills, etc., through Calcutta, Bombay and London. Most of these merchant houses have separate import and export departments. The import department, for example, receives all the indents from the subsidiary concerns and sends them on to London to be filled. Usually these indents contain specifications of the goods required, together with the names of manufacturers in Europe or America from whom they wish these products to be purchased. In many cases the purchase of the goods is left to the discretion of the London office, who may buy in the cheapest market or from some particular manufacturer with whom they had established connections for many years. Some of the largest of these merchant houses do not conduct a general import business and are concerned only with importing supplies for the use of their own companies. On the other hand, some of these firms have developed large and well-organized import departments handling a wide variety of industrial supplies. Usually the decision rests with the head office in India as to whether the firm will undertake the representation of a new line, but it is of great assistance for the Canadian manufacturer wishing to establish a market in India to have an office in London which can keep in touch with Indian requirements through the home offices of large Indian merchant houses.

*Type No. 2: the newly established British merchant house.*—In recent years several young and successful import houses have been established by men who had been in charge of departments in the old-line firms. They have had splendid training, are usually honest and dependable, and are well acquainted with Indian markets. These new firms are competitors in the import trade with the older firms, and the life of their business is the introduction of lines comparatively new to the Indian market. These new firms must work hard to get established, and are usually more energetic in pushing sales than the older type of firm who are so well established in the market that they tend to become merely order takers. In one respect this type of firm is better for Canadian purposes in that, unlike the older firm, they must work harder in order to get business. If the firms of Type No. 1 have some difficulty in selling a certain line of goods, they usually drop it, whereas the new firm will keep on pushing a new line as long as it has the slightest chance of success. On the other hand, a young firm must to a certain extent be financed by the manufacturer. The old-established firm can look after its own finances, but the Canadian manufacturer must be prepared to grant 60 to 120 days' credit to the young firm fighting to get established. In many cases, however, this younger type of firm has the backing of some capitalist who has faith in the founders' business ability and integrity.

This type of firm usually have a single office in one of India's leading import centres with correspondents or representatives in other parts of India. Like the firms of Type No. 1, they usually maintain stocks and in fact are developing along the same lines as the old established house as far as the import trade is concerned. Like Type No. 1 they are importing merchants in that they buy direct from the manufacturer at his price and sell at their own price in the Indian market.

*Type No. 3: the commission agent.*—There are a number of reputable manufacturers' agents in India, many of whom are Americans selling certain specialty lines for the manufacturer. The best of these commission men are in Bombay or Calcutta and travel periodically throughout India appointing native sub-agents. Their commissions vary from  $2\frac{1}{2}$  per cent to 10 per cent depending on the commodity, and the manufacturer must do his own advertising. The commission agent of course does not maintain stocks and sells purely from samples. One American commission house with head office in New York has built up a splendid business in India for a wide variety of American specialties, such as razors, silk hose, patent medicines, tinned foodstuffs, toilet articles, etc. Where a manufacturer produces a commodity in general consumption throughout the whole of India, the commission agent would perhaps best suit his purposes as he sells to the bazaar as well as to the departmental stores throughout India. The commission house is not adapted to selling heavy or bulky commodities such as machinery and lumber, but to the distribution of small specialty lines, samples of which can be carried by a traveller.

*Type No. 4: the branch office with resident representatives from the home plant.*—This system of representation is used to a large extent by European and United States firms who enjoy a considerable business in India and whose products are technical. Examples of firms employing this type of representation are manufacturers of locomotives, specialty iron and steel goods, electrical goods, rubber tires, heavy machinery, and heavy chemicals. Where it is difficult, through the technical nature of a product, for the local merchant to grasp the selling points, and where a sufficiently large market exists, it is always preferable for the manufacturer to maintain a resident representative in India. This representative maintains an office in Calcutta or Bombay and appoints agents in the leading centres throughout India who, if possible, maintain samples or stocks of his goods. This representative is on the road a good portion of the year assisting his sub-agents to sell his products.

*Type No. 5: the travelling representative from head office.*—Every winter India is visited by scores of European travellers representing in the East several manufacturers, or a single manufacturer if the market is extensive enough to warrant a representative spending all his time in selling a single commodity. The travelling representative has a selected clientele whom he visits in his annual trip. He places orders for the manufacturer direct with the European or native bazaar merchant in India. The great advantage of this system is that the manufacturer through his own representative is able to keep in close touch with the requirements of the market, while the representative is able to find out on the spot just what merchants he can safely grant credit to or from whom he must demand cash payments. Another advantage of this system is that no opportunities for extending sales in any part of India are overlooked by a capable representative.

Where a representative covers India for several manufacturers he is usually granted £100 to £200 a year for travelling and incidental expenses in addition to a 5 per cent commission on all his sales. It often happens, however, that where the representative has been visiting India for many years and has built up valuable connections he waives his cash subsidy and insists on a contract giving him 5 per cent on all sales placed with his firm from India. Such a representative must be a first-rate man with a good education, broad minded, energetic, of good address and with a keen appreciation of native character.

*Type No. 6: the native bazaar dealer.*—Apart from heavy machinery and railway supplies, the greater proportion of India's imports reaches the consumers through the



native bazaar dealer. A certain percentage of this class of goods reaches the bazaar through the big importing houses, but in recent years there has been a large and growing trade direct from the manufacturer to the bazaar dealer through the resident or travelling representative from the home office. Many European houses accept orders direct from the bazaar dealer, but for the present at least it is not considered safe to ship to the average bazaar dealer except on a cash basis. Canadian firms would be well advised not to accept orders direct from a native bazaar dealer or even to send him samples until he receives through this office or through a bank a favourable report on such firm. Many small bazaar dealers with no standing whatever attempt to establish direct connections with manufacturers abroad.

The large British merchant houses in India maintain connections with the bazaar through a *banian* or guarantee broker, who in return for his commission is required to guarantee the accounts of his clients.

### THIRD—THE CLASS OF GOODS

(a) *Railway rolling stock and plant.*—Until quite recently practically all the large contracts for rolling stock and supplies for the Indian railways have been exclusively placed through London and such goods inspected and shipped by the India Office Stores Department for State-worked lines, and by the London offices and consulting engineers for company-worked railways. Last year, however, a move was made toward a modification of this method to allow the Controller General of Stores in India to purchase as many stores as possible by tender in India. At the present time Indian railways are calling for tenders in India for such articles as can be manufactured in the country as well as for articles of foreign manufacture held in stock in the country. One condition of these tenders is that the articles so called for shall be either of Indian manufacture, or, if of foreign manufacture, shall be actually held in stock in India or be on the water on their way out to India. If these conditions cannot be complied with by the tenderer, indents for such goods are despatched to London to be filled there through the Stores Department. Some of the privately-operated lines are now beginning to follow the lead of the Government-worked lines in calling for tenders in India of as many supplies as possible. The Government of India has not as yet made a clear and definite statement on the policy to be followed in the future in ordering railway stores, but it may be taken as a definite feature of the Railway Board's policy that every opportunity will be taken to order supplies in India rather than abroad.

If a Canadian manufacturer of railway rolling stock and equipment wishes to enter the Indian market he must, then, maintain stocks in the country and must also have a branch office or a representative in London who will be able to keep in touch with the Indian Stores Department there. It will probably also be found necessary for manufacturers of rolling stock and equipment to establish engineering works in India if they are going to keep their market in this country. Arrangements toward this end may be made with any of several large engineering firms in India. It is reported that two or three foreign manufacturers of locomotives and rolling stock have now made arrangements to erect assembly plants in India where such component parts as may be obtained in India will be used together with parts manufactured in their home plants. If any Canadian manufacturer of railway rolling stock and equipment wishes to get established in the India market, he should lose no time in making arrangements with an Indian engineering firm for assembly in India.

(b) *Machinery.*—Canadian manufacturers of machinery should choose their representatives from firms of either Type No. 1 or Type No. 2, *i.e.*, providing they do not wish to go to the expense of sending out a resident representative. In any case the latter course would not be advisable for a Canadian firm doing business in a comparatively small way in India. The expense of a resident representative from the home plant would be justified only by a large annual turnover in India. In most cases it will be found possible to arrange representation in India for a Canadian manu-

facturer of machinery with one of the several firms in Calcutta who cover the whole of India, either through branch offices or through sub-agents in the *mofussil* (up-country). There are several firms in Calcutta who are selling representatives in India for well-known manufacturers of agricultural machinery. In the case of wood-working and lumbering machinery it will probably be found advisable to arrange for representation with firms in Bombay, Karachi and Lahore as well as in Calcutta and Rangoon. The cotton machinery houses are for the most part situated in Bombay, and for jute, tea, coal and iron and steel in Calcutta. Agents for electrical machinery will probably have to be placed separately in each of the leading centres in India owing to the fact that the leading electrical supply houses in India are simply branches handling in India the products of their home plants.

(c) *Hardware and Metals*.—There are several large long-established hardware and metal importing houses in India with their head offices in London. These firms would hardly fall under Type No. 1 because they are purely importing merchants who conduct a wholesale and retail trade. These few firms cover India fairly thoroughly, but the writer has found it extremely difficult to place Canadian hardware and metal agencies with them as they already handle such a wide variety of good selling lines. The writer has found it expedient to place a few hardware and metal agencies with native firms who have been well reported on by the banks. In many cases these native firms can undersell their big European competitors on account of their low overhead charges for rent, management, etc. The commission agent also handles a proportion of the import hardware and metal trade, particularly in small specialty lines.

(d) *Motor Cars, Accessories and Rubber Tires*.—The bulk of Canada's export trade to India now consists of motor cars manufactured by the Ford Motor Company of Canada, and by the General Motors Corporation of Canada, Limited. Motor cars are for the most part handled by subsidiary companies founded by the big firms of managing agents belonging to Type No. 1. The average distributor of motor cars in India is financed by a firm of managing agents, this distributor handling one or two American cars or trucks together with two or three European makes. These distributors have their own showrooms and workshops in the chief centres of India and have appointed agents to handle their cars in the up-country centres. Service men from the home plant are often attached to the distributor for the purpose of affording him expert assistance and advice, while at the same time this service man or special representative is able to guard the interests of the manufacturer throughout India. The General Motors Corporation of Canada, for example, have placed the agency for each of their leading makes of cars with a different distributor, *i.e.*, a certain firm handles the Buick, another the Chevrolet, and a third the Oldsmobile, each of these firms also running agencies for perhaps one other American car and two or three European cars. In addition the General Motors Corporation of Canada maintain a special representative with headquarters at Calcutta to look after their interests in India, this representative being a sort of liaison officer.

To be successful in India, the manufacturer of motor cars or trucks must maintain continuous service stations and repairing plants in the leading centres as well as constant supplies of spare parts. Certain American cars are now selling in India below their American prices, largely for the reason that the manufacturer in America has not considered it worth while to go to the expense of establishing complete service facilities throughout the country. It is considered probable that in two or three years the motor car and truck business of India will be monopolized by the few manufacturers who have established workshops and service stations throughout the country.

Rubber tires are handled on practically the same basis as motor cars, and the average large firm acting as distributors for four or five makes of motor car will also handle some well-known brand of rubber tire. Within the last year or two, however, a movement has developed on the part of the foremost tire manufacturers toward maintaining their own branch establishments in India and taking this business away



from their former sole representatives. The first move in this direction has been the appointment of special representatives from the home plants to co-operate with the local firm in distributing tires. Now that these manufacturers have, through their own men, gained a knowledge of the Indian market, they are establishing their own selling organizations with their own paid employees in charge. One result of this transformation in rubber tire representation in India is that the big motor firms who have now lost a tire agency they have been working up for several years, are looking out for other good makes of rubber tires not yet marketed to any extent in India. There is therefore an opportunity for Canadian manufacturers of rubber tires to get established with experienced and reliable firms, providing their prices are competitive. The writer has, in fact, almost completed arrangements for the handling of a Canadian tire by one of these firms.

A large variety of motor accessories are handled by small native dealers as well as by the large motor car firms. It is difficult to place agencies for new accessory lines with the larger firms, and on the other hand it is usually not advisable to sell to the small native dealers on other than a cash basis. The Canadian exporter of accessories would therefore be well advised to quote as low a cash price as possible in order to induce these small dealers to establish letters of credit for the purchase of such accessories.

(e) *Drugs, Chemicals and Medicines.*—Agencies for heavy chemicals should be placed only with firms of Type No. 1. These firms are often prepared to handle good lines of heavy chemicals as the market is limited to a few large users. Agencies for medicines and drugs should be given to a commission agent who canvasses this trade.

(f) *Foodstuffs.*—For the most part only canned and bottled foodstuffs and package goods are imported into India. The climate is so severe on foodstuffs that during the hot rainy season it is difficult to prevent many lines of even canned and package goods from going bad. These lines of foodstuffs are handled by commission agents who sell to the bazaar trade and by three or four large wine and provision importers with retail establishments at the leading centres in India. This class of firm conduct most of their business with Europeans up-country. To be completely represented in India exporters of foodstuffs must reach both this class of firm and the bazaar, as many Europeans as well as all classes of Indians buy in the bazaars where goods are on the whole from 20 to 30 per cent cheaper than in the high-class shops. On the whole it will be found more advisable for the Canadian exporter of canned goods to place his agency with either a large commission house conducting business throughout India or with commission agents doing business from each of the leading ports.

(g) *Furniture and Musical Instruments.*—A Canadian manufacturer of this class of goods who considers that he has a market in India will have to arrange for representation separately in the leading centres of India. Furniture and musical instruments must of course be sold from stock. There are reliable furniture dealers in the leading ports of India with whom representation can be arranged for competitive lines. Most of these dealers are Indians, but for some reason or other they appear to be above the average Indian firm in reliability.

#### CHANGING SITUATION

At the present time it is not possible for the writer to supply a list of the various firms in a position to undertake Canadian representation. The situation is changing from time to time as firms give up lines that are unremunerative. It has been the experience of the writer that very little can be done in India through correspondence alone. The large importing houses in the country receive dozens of letters every week from foreign manufacturers with requests that they represent them, and many of these importing houses are so filled up with various lines that they have not time to read these letters and many of them go into the waste paper basket.

## THE QUESTION OF PRICE

After all, the main point in getting into any market is a matter of price. As soon as an importer is quoted a price slightly lower than that at which he is at present buying, he at once asks that he be shown a sample. If there is no sample to show him, he says "Come back again when you can show me what your goods are like." It is the writer's experience that even when an importer is interested in a new line of goods, and has promised to take up the agency, it is necessary to call on him several times in a friendly way asking him incidentally how he is getting on with his new Canadian line. In many cases he replies, "Oh! I have forgotten all about that. I will write right away on this mail." In short the Trade Commissioner in India finds that his duties partake to some extent of a "follow-up" salesman. Every Canadian agency that the writer has placed so far in Calcutta has been the result of several calls before the matter was closed and a preliminary order despatched to the manufacturer. Once the manufacturer has his trial order, the success then lies entirely with him. He must of course keep his prices very close to those of his competitors and he must make delivery on time. If the representative at this end loses contracts through late delivery or loses his profit on account of fall in prices through late delivery, he will most probably give up his Canadian line as there are usually many competing lines which he can take up from other countries.

## PREFERENTIAL TRADE

Among the British importing houses at least there is a distinct preference toward purchasing goods made within the Empire, and the writer has been informed repeatedly by senior partners in the big importing houses in Calcutta that if he can give them Canadian lines competitive with their American or continental European lines, they would prefer to buy Canadian goods.

## CATALOGUES AND PRICE LISTS WANTED

The writer would therefore request that all Canadian manufacturers who consider that their lines would be successful in India should keep this office supplied with several copies of their catalogues, their latest c.i.f. prices, and if possible, two or three samples of their goods. The writer does not, however, advise Canadian manufacturers who have not hitherto done export trade to experiment on India. India is an extremely competitive market which is closer to both Japan and Europe and Australia than to Canada. In addition freight rates from North America to India are higher than from the other industrial centres of the world. If a Canadian manufacturer finds that his prices are not competitive with those of his competitors in South America, which is comparatively close to Canada, it is hardly to be expected that he will have any chance in the Indian market.

This office has a large and difficult territory to cover. It would therefore be appreciated if Canadian manufacturers would co-operate with the Trade Commissioner in getting their goods established in India by taking some trouble in supplying him with up-to-date catalogues, c.i.f. prices, and samples. He would also like to know of the success in other markets of manufacturers who apply to this office for assistance in getting their products established in the Indian market. The writer would also like to impress upon Canadian manufacturers the advisability of giving the fullest information in their first letter. It takes from four to six weeks for a letter to reach India from Canada, and valuable time is lost if the Trade Commissioner has to write for further information before he can do anything for the manufacturer.



## BRITISH MALAYA

TRADE COMMISSIONER P. W. WARD

The question of representation in British Malaya must to-day be considered from an entirely different point of view from that of a few years ago. During the last decade, and especially since the war period, a definite change has come about in trading conditions in British Malaya, and while a few years ago it would have been sound advice to suggest the mere placing of a Canadian product newly cultivating the market in the hands of one of the established import houses, this advice can only be given to-day in exceptional cases. The path of least resistance has been a much favoured one in export trade effort, not only by Dominion exporters but by those of other nations, but it has not produced the results that might have been secured. Traditional and so-called standard methods of representation are not always the best, and the safest advice that can be given in regard to the development of business in the British Malayan market is that the individual products of Canadian manufacturers should receive special study as to the form of representation best suited to their introduction and intended hold upon the market; always having as the object in view a permanent relationship. Much harm is done where a product is introduced by one local house and, for some reason or other, is dropped or taken from them and reintroduced by another house. However good the product itself may be, the would-be purchaser is liable to think that some one or something connected with it is unreliable. Continuity in every phase of marketing is an important factor.

After carefully studying the subject from every angle, the writer is convinced that "Canadians selling Canadian goods" must be the one objective towards which exporters in the Dominion must strive. When a Canadian offers his own country's product, the would-be consumer has at once a certain amount of faith in it believing that the salesman will have a factory knowledge of the goods and the fullest possible information about everything concerning them; in the second place, the possible purchaser is attracted by the salesman's faith in that distant market. These points are, of course, purely secondary; the outstanding factors are that Canadian trade is kept in Canadian hands and the reputation being built up by Dominion exporters can only be adequately safeguarded by this method.

As a preliminary to arranging representation, the market may be tested by the sending out of catalogues and price lists, with a good follow-up system of letters at regular intervals. Lists of importers of every class of product are obtainable at the Department of Trade and Commerce, Ottawa, or direct from the office of the Trade Commissioner at Singapore. Before even embarking on such procedure, however, the advice of the Trade Commissioner should be taken as to possibilities of demand, trade conditions, etc. Upon the results of such a campaign by mail, a decision may be arrived at as to securing representation.

*Direct Factory Representation.*—If at all possible, a salesman solely representing the one factory should be sent out. He should be prepared to stay in the territory at least two years, covering it in just as systematic a way as the home field is covered by factory salesmen. If it is not possible to send out a representative solely on behalf of one factory, then an effort should be made to pool representation with four, five or six kindred but not competing lines and send out a salesman who shall have spent some time in the factory of each manufacturer he represents, becoming familiar with the methods of manufacture and policies of all. It is satisfactory to report that the latter plan has recently been successfully adopted by a number of Ontario manufacturers.

It is imperative that the representative of any Canadian exporter shall be thoroughly familiar with all the facts relating to the sale of the products he introduces—prices and possible changes in price; standard and alternative methods of packing;

shipping and insurance rates; steamship services, routes and sailing periods. Only by showing a complete knowledge of his proposition can he secure the confidence of the overseas trader and consumer. The selection of such a representative should be a matter of much concern to the exporter. It has become apparent that some manufacturers have no great appreciation of the importance of their representative and his functions. The type of man sent out to represent a house has a very definite bearing on the success of the effort. Men of keen judgment and pleasing personality should be chosen; well-read, adaptable and of sound habits. The prospects of a good house and good product may be damned by the wrong type of representative.

*Local Overseas Agents.*—One of the reasons why stress is laid on the sending out of Canadian salesmen is the fact that it has become increasingly difficult to secure local agents of good standing and energy to whom Canadian products can be introduced and a productive relationship set up. Practically all the established import houses and the few reliable commission agents are overloaded with agencies for the products of one nation or another, and even if these houses were willing to take up an agency for Canadian lines it would be practically impossible for them to devote the necessary time and effort required for their introduction. Now and again some product may fit in particularly well with the organization of some of these import houses, and good representation might be secured, but generally speaking an optimistic report cannot be given in regard to this means of representation. It should be placed on record, however, that in no territory could there be found a more solid and responsible importing community. The reason that Canadian exporters cannot hope to find many relationships among them is that Canada comes late into the market and other sources of supply have already linked up with them to practically the limit of their scope.

*Representation through London Houses.*—It has been the practice for a number of manufacturers to place their foreign or British Empire representation in the hands of London houses. These houses either send a representative through the various territories once a year or have sub-agents in each overseas distributing centre. On neither basis is this a satisfactory plan for building up permanent trade for the Canadian manufacturer. In the first instance there is a lack of continuity in the representation and in the second place a division of sales commissions brings a division of responsibility in regard to difficulties and delays, and in cases which have from time to time come before the courts the placing of responsibility in such a relationship was found to be an exceedingly difficult matter, frequently bringing no recompense whatever to the aggrieved overseas customer. Only in exceptional circumstances can this method of representation be recommended.

*Confirming Houses.*—While a certain amount of business has been secured by Canadian exporters in past years through confirming houses—and such business has undoubtedly had the effect of helping certain manufacturers in their development of production—this method of securing business for Canadian products in British Malaya is not to be looked upon with favour. There are scarcely any Canadian confirming houses capable of giving real service in connection with British Malayan trade possibilities and it would be unwise to continue, at this date, to build up outside trade and shipping with business that might be done direct. United Kingdom and United States confirming houses undoubtedly offer a real service to exporters under certain conditions, but the necessity of building up Canadian trade with every additional dollar's worth of handling, of supporting a Canadian Merchant Marine, and of contributing in every possible way towards keeping Canadian currency exchange at par, should be a prime consideration in making trade relationships.

*Buying Importers.*—A certain number of Canadian products are adapted for distribution in British Malaya through buying importers. Once a definite reputation for a particular product has been built up, it is possible to secure a certain hold upon the market by this method which allows the exporter to quote keener prices than



if he were carrying any overhead charges in the local territory. Iron rods and bars, acetic acid and canned salmon are three commodities in extensive demand in British Malaya which are being marketed in this way. A list of reputable importers is procurable on request from the Trade Commissioner at Singapore.

In all matters of representation the intending exporter is urged to secure the advice of the Trade Commissioner on the spot before taking any active steps or even corresponding with local firms.

#### SALES METHODS

It is of great importance to the success of his venture that the intending exporter make a detailed study of the sales methods which may be adopted, both as between the factory and its overseas representatives and as between the local representatives overseas and the buying public.

If a Canadian firm is being represented by a local commission agent or importer, the particular product and its competition, probability of depreciation after arrival and other factors will govern the question as to whether substantial stocks are required to be always on hand; whether sales will largely be made "forward"; if shipments will have to be made from factory immediately on receipt of cabled orders, etc. This brings forward the question of consignment stocks. It is regrettable to note, chiefly from the fact that often quite an investment is involved, that consignment stocks are gradually becoming the order of the day in British Malaya in regard to quite a number of articles. Stocks have been laid down in the chief centres of the Peninsula by United Kingdom, United States, French, German and Italian manufacturers of iron and steel products, motor cars, tires, belting, machinery lines and numerous other items, and the question invariably crops up when representation is being negotiated with local firms to-day: "Will the manufacturer give consignment terms?" The writer is under the impression that this condition can be met by many Canadian exporters by placing a very small quantity of their product on consignment at first and gradually extending it as business develops. One or two houses have done this, and the result has been more than satisfactory in each case. It may be said that when this method is adopted, the local representatives are not only in a position to better meet competition by spot delivery and other matters of service, but they are also able to work on a closer margin as regards price.

Local sales methods are another factor of which the Canadian exporter should make particular study. There are both practical and impractical ways of developing business for particular products. The manufacturer should satisfy himself that (1) the local representative is adequately covering the territory by his own staff or through sub-agents (2) that the sub-agents or dealers are securing from the representative an efficient service in publicity, buying terms, deliveries, etc.; (3) that the sales system adopted is the best for the particular product in that particular territory; (4) if demonstrations of the product and its use are necessary that such demonstrations are continually secured; (5) that the larger percentage of possible customers are reached by direct process; (6) that if an advertising campaign is indulged in it shall be specific—many products of a special nature are being advertised in the daily press in a general way when a different form of publicity would have been far more productive.

#### SELLING TERMS

All quotations for British Malaya should be made c.i.f. Straits Ports (Singapore, Penang, or Port Swettenham) in local currency or, if that is not convenient, in sterling. Daily exchange rates are obtainable, as regards sterling, both in British Malaya and in Canada. Canadian daily rates of exchange are not at present obtainable in Singapore or other Straits centres.

The conditions of c.i.f. shipments are that the seller makes a contract to pay freight charges sufficient to carry the goods to destination; to take out and pay for the necessary marine insurance and to deliver to the buyer or his agent clean bills of lading to the agreed destination to which are attached the insurance policy or

negotiable certificate. The consignor is responsible for loss or damage or both until the goods have been delivered alongside the ship in the country of origin and the papers already referred to have been delivered to the consignee or his agent. Having done this, the consignor or seller is not responsible for the delivery of the goods at their destination, nor for the payment by the underwriters of any insurance claims.

F.o.b. quotations are rarely acceptable. The local buyer is not in a position to work out the cost price to himself of any commodity on which only a f.o.b. price is given, whether it be f.o.b. factory or seaport. There is no information obtainable at the overseas end as to rail and steamship freights, insurance rates, etc.

Quotations to commission agents and import houses acting as representatives must include agents' commission, and in making an agency agreement the question as to how commissions are to be paid and at what periods should be fully covered. Local houses will not accept representation where it is left to them to add selling commissions to the manufacturers' prices.

There is very little possibility to-day of building up business in British Malaya on letters of credit or securing such terms as payment against bills of lading at Canadian ports of shipment. With the war period these methods of financing shipments began to pass, and United States exporters especially have lost a great deal of business by their adherence to such terms during the past two or three years. The general terms available in British Malaya, such as are used in dealing with United Kingdom and Continental exporters, are 30 and 60 days. These allow shipments from the European Continent to be received before making payment, merely placing the buyer on the same level as the buyer at home. A large number of European and American houses are now open to give 90 days credit, and Canadian exporters must show a readiness to meet these terms if a real share of the opportunity is to be secured. As a matter of fact, it will be necessary to give the Middle East importer the opportunity of examining his Canadian purchases before payment until the goods become known: when these products have an established reputation and are in constant demand the exporter may be able to assert a little more independence in regard to selling terms.

#### PUBLICITY

This heading, which in the writer's vocabulary covers not only advertising in newspapers and other periodicals, catalogues, special folders, printed matter sent through the mail, public vehicle advertising, labels and wrappers, but also covers such features as sample distribution, window displays, etc., is a very significant one in present day trade development. It is no less a subject for serious consideration in relation to business building in British Malaya than at home in the Dominion.

No general advice can be given under this heading in connection with the effort to secure business for Canadian products: it is a matter for special advice in regard to the individual article. Some general remarks, however, may be of value. The writer is aware of one particular brand of ale which was successfully introduced into the peninsula by means of a preliminary free and judicious distribution to clubs, hotels, restaurants and the larger dealers. This distribution was worth many times a page advertisement in the daily press and was no more expensive. A new condensed milk was introduced on similar lines combined with a method of bonusing dealers for sales over a given amount, such bonus being not in cash but in the product itself. At the present time a dried milk product is being introduced by means of demonstrations in representative Chinese stores and restaurants; an agricultural tool is being introduced by a special through-the-mail campaign to the managers of mines and rubber estates; while the manufacturers of a line of agricultural machinery are following a similar method. These are merely instances of specific as against general publicity.

The European colony in the peninsula is comparatively small and its purchasing power in the same ratio for many commodities. On the other hand, the Chinese community is a large and ever-increasing one, with a substantial spending power. In considering the question of publicity the philosophy of the Chinese mind should



be specially canvassed and steps taken to meet it according to the merits of the particular article to be introduced and the type of consumer in view. Nothing must be inferred in attempting to sell to the Chinese; everything must be adequately explained. The fact that once an article is taken up by this community its sale runs into large figures, merits any effort in this direction being given a thorough study and no niggardly investment.

Advertising in European newspapers should be specific in detail and not merely general. The average cost of space for general advertising in the daily papers in British Malaya is about \$1 per inch per insertion, single column (56 cents Canadian). Catalogues should embody instances of practical results wherever possible, especially in machinery lines. Special export catalogues should always be used. Where the Chinese and native consumer is to be attracted, literature in Chinese and Malay should be supplied for dealers' use. If a good "chop" has been adopted it should appear in every possible form of publicity.

#### SAMPLES

It is practically impossible to open up business in British Malaya without samples. Whether the goods are small or large, samples are really a necessity, and every possible effort should be made by Canadian manufacturers to meet this condition.

## FOREIGN COUNTRIES

### THE UNITED STATES

#### New York as an Export Centre

TRADE COMMISSIONER FREDERIC HUDD

The importance of New York as an export centre, with its indent or export commission houses or representatives of overseas merchants, through which Canadian firms might develop their export trade, does not appear to be fully appreciated. This is probably due to the fact that in efforts to develop the United States domestic market as a field for Canadian products, the larger possibilities have been overlooked. The writer has come to this conclusion after a survey similar to that carried out by Trade Commissioner L. D. Wilgress in London, which is published in the first chapter of this pamphlet. This survey has extended over a period of months and a large number of firms or representatives have been interviewed.

From the point of view of the Canadian exporter, New York is not an export centre in as general a sense as London is an export centre, as Canadian trade which is capable of development through New York is more or less limited to certain markets, and in these the local indent houses are important factors. These markets are: South America, Central America, the West Indies, Australasia, and the Far East.

The great bulk of the buying in North America for these markets is done through New York. To a lesser degree orders are received here for goods, for shipment to India and the Middle East or to the African markets, but as Canadian goods for these markets, like Canadian goods for the European markets, would be handled for the most part through London, it is doubted whether such trade is immediately capable of very much development, although changing conditions in the future might necessitate a revision of this opinion. An exception should be made in the case of any British export houses buying in North America which may have a branch in New York but no branch agency in Canada.

#### EXTENT AND NATURE OF TRADE

There are many hundreds of indent houses here buying for overseas clients on commission, while many overseas concerns have their own branches or buyers. The

field of inquiry which might be covered has seemed well-nigh limitless to the writer, and as an indication of this, information which it has been possible to collate shows that the number of houses, branch houses or buyers in New York doing business with the markets outlined are: South America, 316; Central America, 131; the West Indies, 178; Australasia, 123; the Far East, 316; and India, 104. Of course where houses do business in more than one of the markets specified, they are included in more than one total, but as the information from which these figures have been compiled is of necessity incomplete, the totals may be taken as conservative.

Below is a partial summary, compiled from inquiries received and from information secured from the various indent houses, indicating the Canadian goods for which there appears to be a field for more intensive development in the various markets:—

*Food Products.*—Apples, beans, butter, cereals, cheese and all dairy products, fish, flour, grain, malt grain, packing house products, peas, potatoes, seeds.

*Manufactured Products.*—Agricultural implements, automobiles and accessories, burlap, benzol, chemicals, cutlery, coke, drugs, fertilizers, galvanized pipe, household goods, hardware, hosiery, iron, laundry supplies, lubricants, leather goods, machinery, pianos, pulp, paper, printing ink, steel products, shoes, starch, sulphate of ammonia, tinware, tools, varnish and paints, wood manufactures.

*Raw Materials.*—Asbestos, coal, cobalt, oxide, lumber, ores, tin.

Many of these products have already established themselves in the markets under review.

#### OPINIONS AND COMPLAINTS OF EXPORTERS

The writer found a willingness on the part of exporters to be interested in Canadian goods and a desire for more up-to-date information as to Canada's export possibilities, particularly on the part of those concerns trading with British countries. The greatest difficulty seems to be that of securing quotations from Canadian firms at short notice. Indent houses often receive cabled requests for goods or prices from their overseas clients and because the time required in securing prices from Canadian firms cannot be spared, orders automatically go to United States manufacturers. Houses are constantly receiving orders of this kind, and those desiring to compete must be able to supply immediate quotations. Canadian exporters are therefore neglected because information cannot be made immediately available. As soon as this is remedied, there will be new opportunities for the Canadian manufacturer. Possible solutions of the difficulty are later outlined. The representative of one large concern buying every class of commodity for export and which desires to give Canadian firms an opportunity to compete, writes as follows:—

"It has been my experience that Canadian manufacturers do not build up a basis of confidence. One of the fundamentals in building up confidence is service. In the course of carrying on business here we send many inquiries to Canadian manufacturers, and it is an exception to get a reply to our letter in seven days. We usually reckon to get a reply in ten days. On the surface there does not appear to be any real reason for this delay. Exporters are always looking for permanent sources of supply. If articles suit their trade, they want more of them, but if the manufacturer producing those articles does not give service, the exporter looks for another source of supply.

"We had a case the other day where we received a cable from our head office stating that they had had a firm offer for a certain line of Canadian goods at such and such a price and asking us if we could better that quotation. We could not, simply because the delay that would be entailed in getting quotations from Canadian manufacturers would mean that our firm would not have a timely reply to their cable and in the meantime would probably lose the offer which had been made them, owing to the delay."

The experience of this house is probably not general, but it serves to illustrate the great importance of the time factor in securing export business.



## FAVOURABLE TARIFF CONDITIONS

The foregoing complaint emanates from a firm, the head office of which is in a country having a tariff favourable to Canada. There are some excellent commission houses which receive frequent orders for goods from British countries to be placed with manufacturers to the best advantage. Where preferential tariffs obtain, it would almost always be to the advantage of the customers to place these orders in Canada. In this regard, in connection with the West Indies market there are many New York firms buying for West Indian merchants or others having agencies of their own in the West Indies or West Indian firms having a branch in New York. With the widening preference for Canadian goods in the West Indies, although much buying is done and will continue to be done, through these New York houses, buyers will automatically be turning to Canada in increasing numbers for quotations.

## DISINCLINATION TO DEAL WITH AGENTS

The writer finds that some Canadian manufacturers manifest a disinclination to deal with commission merchants or agents. In view of the fact that enormous business is done in New York through such agencies, this attitude on the part of the manufacturer, or attempts to deal with the customer direct, results in the loss of much business. This disinclination of some Canadian exporters to deal with anybody but the direct purchaser rather than those handling the commodity in the capacity of agents, may have some basis in experience, but an insistence upon it loses much goodwill and many potential trade opportunities.

Another source of trouble is that a few Canadian exporters in submitting prices have quoted f.o.b. factory when the goods were for export by sea. Quotations c.i.f. port of destination are always desirable, but failing this quotation must be f.a.s. port of shipment. Quotations f.o.b. factory are in order only for goods to be shipped to the United States for consumption in the domestic market.

Difficulties that frequently arose between the New York house and some Canadian exporter who quoted in New York funds, when the Canadian dollar was at a discount of between 10 and 20 per cent, are not liable to arise frequently in the future, with the Canadian dollar only a few points below par.

## IMPORTANCE OF REPRESENTATION

In the securing of this export business the importance of personal contact cannot be overestimated. Canadian firms should therefore establish relations with those houses trading in the commodities which they are in a position to supply. The representatives of these firms should personally explore the many avenues of opportunity for developing business, because as one exporter put it, "Business secured on a postage stamp is not worth a great deal." The manufacturer in Illinois, for instance, who has something to sell, brings a sample to New York and explores the market. The proximity of Canadian points to New York has tended perhaps to discourage sustained enterprise here on the part of Canadian exporters, but a proper appreciation of the situation should encourage it.

In view of the conditions outlined, it is clear how desirable it is that more Canadian manufacturers should be permanently represented in New York, singly or by groups or by jointly maintaining an office where full information as to Canadian products available for export and the latest prices on the goods represented would always be available. This would prevent the loss of many valuable trade opportunities. The suggestion is made that any such office which might be maintained by Canadian exporters should carry samples and prices of the goods which Canada can sell either for domestic consumption in the United States or for export through New York to foreign markets. It would be unwise to spend money and attention in pushing goods which obviously are not and cannot be bought in those markets for reasons of price or domestic production. With well-displayed samples an endeavour should be made to invite those who would be interested in these samples to come and see them. This would be a simple and inexpensive method and should appeal to business men.

## VALUE OF AN EXHIBIT

While the value of an exhibit as a means of promoting Canadian trade in the United States is open to discussion, it would undoubtedly serve the purpose of interesting visiting foreign buyers. For instance, a buyer arriving in New York from South America, unaware of Canada's possibilities for export, and intending to buy United States produce as a matter of course, might be led to interest himself in Canadian products as the result of an exhibit.

## BRAZIL

## TRADE COMMISSIONER E. L. MCCOLL

The marketing of Canadian products in Latin-America requires more study and investigation than at first appears to the casual observer, and of all Latin-American countries, Brazil perhaps presents more difficulties than any one of the score of Spanish-speaking republics. The same mediums which exist in other countries for the importation and distribution of foreign products also exist in Brazil. Although these are well known in a general way, they may not be so well understood in their relationship to Brazil, and the writer has therefore thought it necessary to go over each in detail, giving outstanding features in an endeavour to facilitate the Canadian exporter in choosing for himself the best methods suitable to his product and to his resources.

In Brazil will be found a highly developed sales organization which is the product of more than a century of trading and of unlimited capital. There are branch houses of long-established British, United States, German, Belgian, and French companies, as well as equally sound locally-established firms. Some of these are branches of manufacturers, and so sell only the products of their own home factory. Others are branches of general export and import merchants. These firms carry stocks and can make quotations in the currency of the buyer's country. Any one of these houses either knows or can easily obtain the business record of any consumer, and is therefore in a position to give the best possible terms consistent with safety. The retail distributor or consumer has perhaps bought from one of these firms for half a generation. He can look over the stock and has a chance to choose. If the local buyer, having purchased, finds later that the article is not suitable, he can send it back. He can have broken parts replaced immediately or can have an order duplicated. He does not require to buy until the moment he needs the goods, and last but not least, if he has a complaint the man from whom he purchased is close at hand.

## THE FOREIGN EXPORTER STUDIES THE WISHES OF HIS CUSTOMERS

The British, German, French, Belgian, and other continental exporters study the methods, the wishes, the customs and the capabilities of their foreign customers. It is the buyer's rules which the European exporter endeavours to follow, not his own. "Our rules demand this," etc., is not a part of his vocabulary. This system of trading has not sprung up over night. It is the development, as stated above, of scores of years of trading in a very critical and competitive market where methods are just as subject to competition and criticism as the quality and price of the product which it is desired to market. The foreign and national importing houses, which are generally speaking the connecting link between the manufacturer and the consumer, now demand this method, not as a privilege, but as their right. Any exporter who attempts to sell according to the standardized rules of his own establishment will not meet with much success in Brazil. For example, quotations are required c.i.f. with terms up to 90 days' sight or 120 days' date. It is therefore waste of time to quote f.o.b. factory, cash against documents in Canada.

The Canadian manufacturer knows very well how hard it is to sell his own products in Canada, how hard it is to induce a buyer even of his own nationality to change from something he knows to something he does not know, though the sought-



for customer has the material placed before him and its merits explained time and again by a successful salesman. The importing house of Brazil, whether national or foreign, is the essence of conservatism. If it were not it could not exist. The distance is too great to admit of return of unsatisfactory purchases. Reflection on the one question of duty may allow the exporter to see the importer's point of view. Is the importer going to buy an unknown product, pay cash for it, and anything up to 100 per cent duty, and thereby assume all the risk of not being able to introduce it or to sell the initial shipment at a profit? It is true that during the war necessity demanded that chances be taken, but this caused enormous losses to both exporters and importers, and the saying now is "Never again." C.i.f. quotations, terms 90 days' sight are demanded by importers for goods well known in the market. Canadian manufacturers will therefore require to do something more than that, unless their marks are already well and favourably established. They will require to introduce their products without any risk to the importer. How to do that, with the least possible risk to themselves, is the subject matter of this report.

#### THE EXPORTER MUST ADOPT THE COURAGEOUS PIONEER POLICY OF THE CANADIAN BANKS

If the last-mentioned method of marketing is to be adopted, two points will be uppermost. The manufacturer must have complete confidence in his product, and complete confidence in his agent. Having learned from statistics and other sources that there is a good market for goods similar to his, and knowing from experience in other fields that his product can successfully compete with others of the same class, the Canadian manufacturer deciding to enter the market must adopt bold, energetic and resourceful methods. If he has no confidence that his goods will sell, who will? There are now two Canadian banks, the Royal Bank of Canada and the Canadian Bank of Commerce, operating in Brazil. Credit reports on all the principal Brazilian firms are on hand at their head offices. The manufacturer will therefore have considerable confidence in an importing house when he learns from these reports that its establishment dates back several years, that it has considerable capital, several branches and a first-class commercial record. Let it be assumed that the exporter, through inquiries, knows that there is a market for his product, and that he is satisfied with the commercial standing and reputation of the firm which he wants to act as agent for the distribution of his wares. Just so far then as the exporter is willing to shoulder the risk by offering to ship at least one sample order on open account, and to protect the purchaser against loss, will the importer be induced to demonstrate and introduce new goods. These methods cannot be followed without risk, but new products cannot be introduced into a foreign country in competition with the world unless the exporter is willing to present to the foreign buyer the same inducements which he offers to the buyer in his own country.

The above-mentioned banks are not the pioneers of individual Canadian enterprise here, yet they are certainly blazing the trail for the general entry of Canadian trade. Their confidence not only in themselves but in this country is an outstanding example of a bold and courageous policy that it would merit well for Canadian producers to adopt.

#### METHOD FOR MARKETING FOREIGN PRODUCTS

The following methods for marketing foreign products in Brazil will be considered here: (a) branch; (b) houses importing for own account and on consignment; (c) manufacturers' agent; (d) retailers who sell direct to the public; and (e) travelling Canadian salesmen.

#### CANADIAN BRANCH HOUSES GREATLY NEEDED IN BRAZIL

The advantages gained by the establishment of a branch over any other kind of representation will not be detailed here as they are so apparent to any business man. In making this statement, it is necessary of course to eliminate those products for which the demand is small or declining and for which the market would not war-

rant the overhead expense of a branch office. It would be remembered that there are no Canadian importing houses here. An importing firm, although it may have the agency for a Canadian article, will push it purely on its outstanding merits. If this article does no more than rank equal among others of its class, it will be at a disadvantage. Such an agency, through conscious or unconscious sentiment, will push the product of its own country in preference to any other. Therefore Canadian products are handicapped through lack of Canadian distributors in this country. It must also be remembered that these foreign houses follow their own customs. They will listen to the Canadian exporter's suggestions and answer his letters if they feel inclined to do so. Sometimes these people will accept an agency, and not even try to sell or push the product for which the agency was given. Canadian branches are urgently needed here either representing one firm or a group of firms. Sometimes branches representing a group of manufacturers grow into general importing and exporting houses. This happens when the manager finds that while his product cannot compete for a certain order, he can perhaps successfully tender if he submits a similar article which is the manufacture of another country. In order to advertise his branch and also to increase his profits he adopts this policy, and handles lines other than his own. An example of this nature is that of an American manufacturer who bought up the three years' output of two German factories in order that his foreign branches could fill orders with products of German manufacture if his own goods could not compete. It goes without saying that the sales branch of a large manufacturing concern of unlimited means will sell more of its own products than if that large concern combined with several other manufacturers to establish a branch. But eliminating that class of "unlimited means," the writer is strongly in favour of a group of manufacturers establishing a Brazilian branch as an independent company operating under Brazilian charter. The first object of this branch would be to pay expenses and make profits. The second object would be to sell Canadian products. In order to be successful it would require to buy in the cheapest market. Canadian products would be bought when they could be sold at a profit, but when they could not, then the foreign article would be supplied to the consumer.

The minimum cost of a small "branch" would be made up as follows:—

	Per Annum
Manager—minimum salary . . . . .	\$6,000 gold
Transportation within limits of Rio de Janeiro . . . . .	500
One stenographer (two languages), one thousand milreis up per month . . . . .	1,400
One clerk, six hundred milreis per month . . . . .	1,008
Two warehousemen at three hundred milreis per month . . . . .	1,008
One office boy, one hundred and fifty milreis per month . . . . .	250
Office in central, modern building at twelve to fourteen milreis per month per square metre, 50 metres . . . . .	1,008
Warehouse space at four milreis per square metre per month, 300 square metres . . . . .	2,016
Office supplies and unforeseen petty expenses . . . . .	1,810
	<hr/> \$15,000 gold

These figures are based on present exchange value of one milreis equal to 14 cents (Canadian).

#### IMPORTING HOUSES

The large importing houses buy principally for their own account, though some at times receive goods on consignment. In selecting one of these to act as agents, it will be well to mention here that Brazil is divided from north to south into five distinct districts, served by the following ports: Pará, Pernambuco, Bahia, Rio de Janeiro, Santos, Rio Grande do Sul. One should inquire as to the location of any branches which the prospective agent operates or in what other way he covers the territory. Agents may be found very willing to control all Brazil when, on the other hand, they may not have the facilities for operating beyond Rio de Janeiro and Sao Paulo. For example, in the appointment of an automobile agent it should be noted



that he cannot work successfully beyond his own immediate district. The agent must have a demonstrating car with which he will have his hands full in his own locality. It must also be remembered that there are as yet no automobile roads in this country, and that one is therefore to some extent shut off from other parts except by rail or ship. Some importing houses are branches of a world-wide organization, so that if a certain brand or make becomes popular with one branch, the fact soon becomes known to the head office, which introduces the product into other countries. On the other hand, these big firms have such a long list of representations that they without doubt neglect some, and therefore in some cases it pays to select a smaller house where products as well as the exporter's correspondence are more apt to receive individual attention by the heads of the importing firm.

In the selection of an agent much depends upon the kind of goods to be handled. One may find an agent willing to handle cement, lumber, or steel when he has no special facilities except perhaps storage space, whereas others may have their own dock warehouses and lighters. Many importers only order after they have sold, while others carry large stocks and showrooms. It is hard to classify some of them in the matter of goods handled, as some of the largest houses import railway and building material alongside of rubber and food products. Some companies, however, do make an attempt to specialize.

#### THE COMMISSION AGENT

This class of importing house generally sells goods on commission. Some have storage space and receive merchandise on consignment, but seldom for their own account. An office with a sample room is the unit of operation. There may be a head office with several of these units scattered over the country, each branch having one or more commercial travellers, or there may be only one office with the proprietor of the business as the sole salesman. This class of house handles all kinds and quantities of material; in fact pretty well everything handled by the larger firms who buy for their own account. The small commission agent, however, is the one who is willing to handle that class of goods over which, generally speaking, the larger houses will not be found to be too enthusiastic, such as articles sold by jewellery stores, miscellaneous office supplies, polishes, blackings, haberdashery, and other ready-made textile wearing apparel, canned fish, preserves and other food products.

#### THE CHARACTER OF THE RETAILER

Many of these stores import direct, and in some cases the proprietor holds the exclusive agency for a given article for the city or town in which he resides. Some of these stores are very important, and are of course native. Probably the most thrifty retail trader is the Portuguese. He is not as high a financier from a speculative point of view as the Italian, but he sticks to his last. He himself is the cashier, and he sits all day long on his elevated platform, from which he regards all that is going on. He is a hard taskmaster with his employees. Sometimes he cares nothing for dress, and on the street the casual acquaintance would not lend him a car ticket, yet that same gentleman can go into a bank and obtain an amazing amount of credit. The manager of an English company established here for over fifty years told the writer but a few days ago that one of these traders, fitting exactly the above description, could obtain up to £25,000 credit from his firm any time he cared to ask for it. These people never default. They are close, keen traders, but obligations once accepted are never repudiated. This is true particularly of the trader who is Portuguese or of pure Portuguese descent. The Brazilian of old descent, on the other hand, does not make as a rule a good retailer. He is the direct descendant of the Empire. He has not forgotten his aristocratic lineage or the days of slavery. His philosophy is to live and enjoy life first and to work afterwards. There is not a more polished gentleman in the world than this Brazilian, and his ideal life is divided between politics, journalism and law.

The Canadian manufacturer must know these seemingly trivial but all-important traits in the character of a people with which he wishes to trade. The long-established British houses have learned through experience and long association every detail in the character of these people. It is significant that with one or two unimportant exceptions not a British house in Brazil closed its doors during the last two trying years.

#### THE SALESMAN

An exporter having decided to send a salesman to South America, or to share with some other organization in such an undertaking, should have complete confidence in the man who is being sent. It is a long distance from Canada to Brazil, and therefore some value must be placed on the man's judgment. A salesman must be able to say to an importer, "I will send you one of our machines on trial; pay for it when you sell it." The representative who is leaving Canada should not be bound by a set of absolutely safe rules—so safe that nothing can be lost except his salary and expenses, but yet again so safe that there is no possibility of getting orders.

A knowledge of Portuguese for Brazil and Spanish for the other South American countries (or at least French in place of the other two) is a valuable asset. The upper-class Latin-American speaks French. However, on the first trip the lack of these languages is not a serious handicap. In the limited time which travellers seem to have to spend at important centres, a representative on his first trip will have his time pretty well occupied in making the acquaintance of British importing houses and the more important Brazilian firms, the heads of many of which speak English.

The man to be sent should be a Canadian and no other. He should be of exemplary habits, well educated, and of good appearance. The Brazilians are very particular about dress. Even the policemen on the street are immaculate in their clean collars and white starched protruding cuffs. The salesman who is to be sent should be notified at least six months beforehand, if it is his first trip. He should read up all the material available on the subject of export, and he should get into touch with some one who has recently returned from South America. He should have price lists and pamphlets describing his products printed in Portuguese. Before leaving Canada, the representative should know among the other thousand-and-one things how his goods are packed, the size, weight and wrapping of each individual package, the size, weight and packing of the larger packages. He should know whether the factory could change all this or not to suit the needs of some particular customer. This information is also required when calculating duties. The travelling representative must be able to tell when he can deliver the goods. He must therefore have studied transportation conditions, so that even if he cannot state the exact date, he will at least be sufficiently familiar with the situation to enable him to give an approximate time for delivery from overseas.

A commercial traveller may arrive here representing a Canadian firm of exporters. This representative perhaps carries the samples of a dozen factories. But at the outset it is seen, or surmised, that the manufacturers either do not know the foreign field or have no confidence in the exporting house or its salesman. He comes with no better information than prices f.o.b. factory and terms cash against documents in Canada. There are cases when such a representative has come with trunks full of samples having no other particulars than those just described, nor any latitude whatever for the use of his judgment when offering terms. He has gained valuable experience, but as for immediate business he might just as well have stayed at home. On the other hand, if a salesman in coming to South America enjoys the complete confidence of his principals, and having received six months' notification makes the most of his time by reading up the subject of trading with Latin America, and at the same time interviews two or three men who have been over the ground, he should leave Canada with the assurance that he will be able to do work of real value.



## CANADIAN MANUFACTURERS SHOULD PERSONALLY VISIT BRAZIL

If at all possible, the head of the firm which contemplates sending a salesman to South America should first visit the market. He will then become acquainted with something of what is required amongst Latin Americans. He will see everything for himself, and thereby learn the intricacies of this market first-hand. It is fairly safe to say that the bulk of United States goods in Brazil is distributed by means of British and native houses and not American. A Canadian exporter when he finds out by personal visit that this is the case, and that as a Britisher he received an enthusiastic welcome, will make the best of his British connection. A short time ago the writer, in communicating with a Canadian firm, was surprised to receive a reply from the New York office, with nothing printed on the letter-head to show that the firm was Canadian. Brazilian firms received the same letter-head, and the writer was reminded that he was introducing United States people and not Canadian. On investigation, the company in question proved to be completely Canadian, with an export office in New York. Another case worth mentioning is that of a representative of a Canadian exporter who arrived in Brazil with calling cards on which was printed the address "New York, Toronto and Montreal." Though the head office proved to be in Toronto, it was needlessly difficult to convince British houses of that fact. There is nothing to be lost by selling Canadian goods in South America from Canada and not from New York.

The value of this and many other points will only be fully understood by personal contact with Brazil, of which the Canadian exporter should not fail to avail himself. He will then meet the importers individually, and will learn their point of view and their requirements at close hand. He will also learn how important it is to leave Canada with a complete knowledge as to how he is going to get his product to Brazil.

It will be pretty safe to say that during the first personal visit which a Canadian exporter makes to Brazil or any foreign country, he will find himself confronted by many questions which he cannot answer but about which he could have informed himself before he left home, had he thought of them. As any subordinate representative requires the advice and the complete support of the principal of his firm when going on foreign service, it is of the utmost importance that that principal should through personal experience have a complete grasp of the situation.

In conclusion, a review of the foregoing article brings out the three following points:—

- (1) Canadian manufacturers in order to introduce their products must be willing to place them here on trial without risk to the importer.
- (2) Canadian manufacturers should combine to have purely Canadian selling organization located in Brazil.
- (3) Manufacturers should endeavour to visit the ground personally before sending out a subordinate representative.

## THE ARGENTINE REPUBLIC

TRADE COMMISSIONER C. NOEL WILDE

Before dealing with the question of representation in the Argentine Republic, it is desirable to draw the attention of exporters to certain facts which are essential to a proper understanding of the question. In the first place, it should be borne in mind that the market is one of the most keenly competitive in the world, and prices are usually cut to the lowest cent. It necessarily follows from this competition that a high quality is demanded in the majority of imported products, and second-class goods can only be sold at correspondingly low, or possibly unremunerative, prices. A further result is that the seller seeks the buyer, and not vice versa.

These conditions have been accentuated during the past two years by the accumulation of post-war stocks, the recent depression in business, and the necessity which all manufacturing nations are under of finding wider markets for their products. Never has competition been keener than at present; at the same time, there has probably never been a more favourable period for the introduction of Canadian goods, owing to the dissatisfaction with previous sources of supply, and the treatment received by Argentine importers at the hands of foreign manufacturers, during the period of adjustment which is now drawing to a close.

The above remarks have a distinct bearing upon the question of representation, as the world competition referred to compels the adoption of methods of doing business which have been found, over a long period of years, to be the most satisfactory and economical—methods which have borne the test of time, and cannot be changed without the risk of financial loss at the best, and total failure at the worst.

#### PRELIMINARY STEPS

Before deciding to enter the Argentine market, it is always desirable for a manufacturer to make all inquiries possible as to the demand for his product, and the probable success of his efforts. The best method of doing this is to send a representative down, not necessarily to sell goods, but to look over the ground and obtain information at first hand. This enables him to ascertain the extent of competition which he is likely to meet, the present sources of supply, the quality and price of competing products, and such special conditions of the market as may be of importance to him in arriving at a decision.

Such a trip is necessarily expensive, and if the cost is considered too high to warrant such visit as a preliminary to entering the market, information can generally be obtained from the files of the *Commercial Intelligence Journal*, and always by communicating either with the Department of Trade and Commerce at Ottawa or the Trade Commissioner at Buenos Aires.

#### MANUFACTURERS' REPRESENTATIVES

The usual method of selling goods in the Argentine is by means of manufacturers' representatives, who have offices and a suitable organization in Buenos Aires, and act as agents for the firms which they represent. These manufacturers' representatives do not purchase on their own account, and have no financial dealings with the manufacturers other than the drawing of their commissions; thus, no large amount of capital is required in their business, and their success depends almost entirely upon the energy which they display, and the nature of their clientèle.

A good representative of this character is an invaluable asset to a manufacturer who desires to secure a firm footing in the Argentine. He will, in his own interest, deal only with firms in good standing, and if desired will provide financial reports upon all new clients, attaching these reports to orders. He will be able to advise his principals of any changes in the rating of buyers, and watch the collection of moneys as they become due. He will also keep his principals advised of market conditions, changes in prices, new opportunities, and act in general as a branch office of the house which he represents. The advantages of such a service are obvious, and sufficiently explain the preference for this means of representation in a highly competitive market like the Argentine.

It is customary, and in many cases essential, to provide the manufacturer's representative with a liberal supply of samples free of charge. This question of samples is a cause of frequent discussion and dispute; it should be obvious, however, that a representative can no more be expected to pay for them than a travelling salesman would be expected to pay for the samples which he carries with him on his trips.

It should be unnecessary to add that a manufacturer's representative should also be provided with catalogues, price lists, and any other literature which may be



issued by the manufacturer, and if this literature is printed in Spanish, so much the better. A word of warning should be given here as to the technical terms and special modes of expression used in Spanish-American countries: it is impossible to take too much care in the translation and preparation of printed matter, and drafts should always be submitted to an expert before being finally passed. As a rule, the manufacturer's representative is willing to check over such drafts and make any suggestions or corrections which may be advisable.

The Trade Commissioner in Buenos Aires is always prepared to make suggestions to exporters in regard to the names of suitable agents, and it is desirable to communicate with him before final action is taken (this does not of course apply to cases where the exporter has already made a careful study of the situation on the ground). Once appointed, the representative should receive the loyal support of his principals, and careful and prompt attention to such matters as cabled inquiries, shipping instructions, packing requirements, etc., should be given.

#### DEPARTMENT STORES

There are certain exceptions to the general rule of appointing manufacturers' representatives rather than dealing direct with importers. For instance, the large department stores, of which there are many in Buenos Aires, frequently buy through their London, New York, or Paris houses, and in addition send their buyers abroad. This enables them to keep in close touch with the latest fashions in Europe and America, and to select those goods which are most likely to suit the taste of the Argentine buyer. In such cases the obvious course for the Canadian manufacturer is to communicate with the New York or London houses, supplying them with catalogues, and if possible meeting the buyers on their periodical trips abroad. The largest department store in Buenos Aires has a purchasing office in New York, which has already expressed its willingness to deal with Canadian firms whenever possible.

#### HEAVY MACHINERY, ETC.

Another instance in which exceptional action must be taken is in the case of such goods as motor trucks, agricultural machinery, road machinery, tractors, and other supplies of a similar character. In such cases it is necessary for the manufacturer to arrange for the exhibition of his product in a showroom, warehouse, or store, where a prospective purchaser can examine them and compare them with competing articles in the same line. A manufacturer's representative, as such, seldom has the necessary facilities, and it therefore becomes essential to deal with a large importing house handling similar goods. Even then, the manufacturer can hardly expect the importer to make the investment of capital which is required to maintain a stock of such expensive lines, and he must be prepared to ship on consignment, open account, or at least on long terms of credit. Suitable precautions should therefore be taken to select a firm of good standing for this purpose, and careful consideration given to the terms of the contract into which it is proposed to enter.

Several manufacturers of this class of goods have in the past tried to obtain an entry of their products, but have refused to send machines on consignment, or to expend money on propaganda, warehouse space, etc.; such efforts are foredoomed to failure.

#### MAILED SAMPLES

It is useless to try to sell goods in the Argentine by mailing samples direct to prospective buyers, and certain failure will be the result of any effort along these lines. All samples passing through the mail are subject to duty, and it is necessary to secure the services of a customs broker in order to clear them. This involves a minimum expense to the addressee of \$2.50 Canadian currency, and it will be readily understood that firms are not going to pay such a sum for an article which they may not desire, and which may be of no use to them whatever.

Importers and others have had so many samples sent to them in the past by manufacturers unfamiliar with the above conditions, that they do not even trouble to inquire about them, but leave them in the post office, to be either destroyed or returned to the senders.

#### DIRECT REPRESENTATION

A limited number of the large importers in the Argentine deal direct with the foreign manufacturer, but this is not the customary method, except in the few special cases mentioned above. Where such conditions exist, it is extremely difficult for a competitor to introduce his goods, as connections have already been established on a footing of mutual satisfaction, and the importer is unwilling to experiment with a new product, even with some advantage in price.

#### COMMISSION HOUSES IN CANADA

Neither is it usual for importers to buy through commission houses which have their head offices in Canada. The reason is not far to seek; importers do not wish, in case of difficulty, to write to Canada and wait for two months before they can receive a reply to their communications—they prefer to discuss matters with a representative on the ground, and hold him to account for any difficulties which may arise. Further, such commission houses have to be paid for their services in one form or another, and the price in the Argentine is naturally increased by the amount of such payments. Where competition is so intense, a difference of one or two per cent in the price of goods may be sufficient to influence the direction in which orders are placed, and this fact alone makes it extremely difficult to do business with commission houses in Canada.

#### TRAVELLING SALESMEN

Some manufacturers make a practice of sending qualified salesmen on a tour throughout South America, and this method is sometimes attended with good results. The salesman is, as a rule, thoroughly familiar with the goods which he handles, understands factory methods, and is in a position to settle any questions raised by the prospective customer in regard to changes in design, quality of goods, etc., without reference to his principals. At the same time, he cannot maintain the close contact with customers which is possible in the case of a manufacturers' representative and this is a disadvantage in a market where business is so largely the result of personal association.

If it is decided to send a salesman on a tour through the Argentine, he should be carefully selected; in the first place, he should have a working knowledge of Spanish, and some previous experience (not necessarily as a salesman) of the country. He should also be a man of fair education, and able to discuss the questions of the day in an intelligent manner. These requirements are due to the fact that the Argentine importer does not always wish to discuss business matters with his visitor—he will frequently talk of many other subjects which may be of interest to him, and the Canadian salesman, new to the ground, may leave with the feeling that his visit has been unsuccessful. If, however, the impression which he has made is favourable, the buyer will receive him cordially at a later date, and possibly, after several hours' casual conversation, may place an order which will surprise the salesman by its size. It should be unnecessary to add that such a salesman should be a Canadian by birth, or at least of British extraction.

In general, however, the importer in the Argentine prefers to deal with a manufacturers' representative, rather than with a travelling salesman. Experience has confirmed his judgment in this matter, as many cases have occurred of orders being placed with travelling salesmen for goods in accordance with samples exhibited, and when the goods arrived they have been found to be of inferior quality. Frequently goods have not arrived at all, or have been subject to delay or damage in transit. In all such cases, the importer is at the mercy of the manufacturer, and prefers to have some one on the ground with whom he can communicate at a moment's notice, and whom he can hold responsible in cases of difficulty.



For this reason, a manufacturer who sends a salesman through the Argentine should authorize him to appoint an agent in Buenos Aires to act in his absence, and buyers should, at a suitable time, be notified by letter of the name of this agent.

#### GOVERNMENT ORDERS

Special arrangements are necessary where Canadian manufacturers desire to tender for Government requirements. The Argentine Government Departments do not keep lists of "Approved manufacturers," as is the case in some other countries. The tender of any manufacturer is accepted for consideration, provided that it is presented by a local representative possessing authority to submit tenders and sign contracts in the name of and on behalf of such manufacturer. The necessary authorization consists of a power of attorney executed before a notary and legalized by an Argentine Consular officer.

So far as can be ascertained, no Canadian manufacturer is thus represented in the Argentine. This is to be regretted, because there can be no doubt that several manufacturers are at present in a favourable position to compete for Government supplies, more especially with reference to railway material, building supplies, coal, lumber, and general steel and iron products.

The following is a copy of a power of attorney authorizing a local representative to act for a foreign manufacturer:—

Por la presente autorizamos a los Senores.....para representarnos ante el Superior Gobierno Argentino en las licitaciones publicas y privadas que llegasen a efectuar, como tambien para presentar precios y firmar contratos en nuestro nombre.  
Signed.....

Attested.....  
Notary Public.

Legalised.....  
Argentine Consul.

#### SUMMARY

On the whole, the type of representation to be adopted in the Argentine Republic depends upon the class of goods which it is desired to sell. Taking all things into consideration, the practice of appointing a manufacturers' representative in Buenos Aires offers by far the greatest chances of success, with the few minor exceptions noted above, and it is recommended that this course be adopted.

As far as the writer is able to judge, there is a disposition among importers to look with favour upon Canadian competition; thus, although business is temporarily depressed, the present seems a favourable time for making arrangements with an eye to the future, so that when the tide turns, full advantage may be taken of the opportunities which will then present themselves.

## FRANCE

### TRADE COMMISSIONER HERCULE BARRÉ

The best way to study the French market, as a preliminary to the appointment of a representative, is to make a trip to Paris. Under present conditions this can be done fairly cheaply and will not take long, whilst the advantages gained will prove very great, particularly as much time and correspondence can thus be saved. As the whole of the commerce of France is very much centralized at Paris, much can be done in a comparatively short stay in the capital, and the benefits of dealing with a situation which has been seen first hand are afterwards very great. The best time to make the trip would be at the beginning of the year or in the early winter, which is perhaps the busiest season. In the summer months very little business is done, for many merchants leave Paris during the very hot weather in July and August.

## KINDS OF REPRESENTATION

After having thoroughly examined the situation and the various subsidiary questions of exchange, competition, etc., and having come to the conclusion that it will be profitable to commence business in France, the question of how to be represented must be studied. It is important that the way chosen should suit the special interests of the firm and of its product. Two different systems are most in vogue: (1) working through an exclusive agent for France; and (2) a direct representative with local agents. These systems are employed here generally according to the kind of goods and the scale upon which the sales campaign is conducted. An article which is in universal demand, or a necessity, will not require the same methods of representation as a specialized article for which a demand has to be created. In the former case the goods can be sold by an agent who will already have a connection, but in the second case direct representation is indicated. Even if the goods are sold through an established agent, the ideal condition is, of course, to have a personal representative in France most of the first year, or, better still, all the time. He will thus be able to give moral and material support to the agent and his salesmen and instil and make real for them the Canadian origin and ideas at the back of the merchandise he is selling. He could call on the trade generally and take direction of the venture at the start. Of course, this applies more in the case of a product being introduced and hitherto unknown. Only a man of the very highest standard should be chosen as representative in France, and he should be thoroughly conversant with the French language, as he will have to do all his business in French. Some merchants speak a little English, but very few enough to carry out a business deal. In order to do business, it is necessary that the representative should speak French. Knowledge to a certain extent of the European way of living will be placed to the credit of the representative and to his firm, for naturally enough the quality of the firm will be judged by the kind of representative it sends abroad. With regard to agents also, quality tells. It is always possible to obtain a firm in France willing to take up representation, no matter what the product may be, but to secure the right one is a different thing. There are numbers of firms who will take up an agency and then go asleep, as they lack the business methods and aggressive character which is noticeable in Canadian commerce. On the other hand, the will to make good with what they undertake may be there, and if the agent is given good training and proper support, returns will come quickly and very substantially.

## ESTABLISHING AN AGENCY

In order to find an agent, it is necessary to have a list of all the importers in France who are interested in the particular line of goods. This information may be obtained on application to the Director, Commercial Intelligence Service, Ottawa, or more in detail from the Canadian Trade Commissioner, Paris, who can also give advice. By these means a trustworthy firm may be found, which can be relied upon to develop trade to the maximum. The choice of the right agent being a most important matter, indeed an essential of success, no pains should be spared to ascertain his business methods, his connections, and his personal character, as well as his financial situation and references. It is somewhat difficult to reach a perfect understanding with an agent without the visit of a representative of the Canadian exporter. The negotiator sent should naturally know French well, and have some knowledge of the French mentality, and of business conditions and methods employed in that country. The representative will be able to demonstrate at first hand, and can pass on his experience to the agent's salesmen and thus avoid mistakes which might otherwise be made. By working through an agent, the manufacturer avoids the complications of direct representation, but this system leaves all the responsibility for the enterprise in the hands of the agent. For this reason the importance



of the initial choice of a firm has been strongly emphasized. Dealings with agents in France are usually carried on in one of the two following ways: either the agent buys firm and for his account, but does not engage to sell at a specified figure; or he takes the goods only on consignment, taking a fixed percentage on his sales. In the latter case security can be demanded, and also the guarantee of a minimum sales figure.

#### DIRECT REPRESENTATION

This system, as stated above, is more suited to the introduction of valuable or highly specialized articles. These goods require precise explanations and detailed presentation, which can only be given by technical men who have a thorough knowledge of their product and as a result are able to bring out all its advantages. It is evident that for direct representation a man of quick action is required with a great amount of push, with a good knowledge of the French language, and of French commercial habits and of propaganda and publicity work. This man's own work will be the basis of the organization; but as the business develops he will entrust stock to agents in the various districts who will sell on the usual percentage basis.

Many countries well placed with regard to transport and selling at low exchange are competing for the French market; besides this, France herself supplies a good part of her needs. Customs duties and transportation should also be looked into and the kind of goods favourably regarded in the market should be carefully regarded. Good articles at reasonable prices, well put up and well represented will find ready, and in many cases, eager buyers. But it must not be taken for granted that an article which sells well in Canada will necessarily please the French public; therefore the samples favoured and sold on the market must be carefully considered. If in Canada a certain liquid is sold in gallons, it will have to be put up for sale in France on the basis of the French litre; likewise solid goods must be put up by the kilogramme rather than by the pound. This does not necessarily mean that these goods must be put up in special tins, for many firms simply mark their pound tins in kilos, and this enables the buyer to compare with French goods. All this looks very simple, yet many manufacturers have failed to find a market through having overlooked small details such as these.

#### LANGUAGE

The question of language is most important. All correspondence, labels and directions should be in *good French*, not what is sometimes called "Parisian" but which is more often slang. There is only one way of writing French, and that is according to the grammatical rules and with a thorough knowledge. Everything must be stated accurately, and great care should be taken never to make a statement that the goods themselves will not absolutely bear out in the use. If satisfaction is not given, it will be found that the French market is one that is easier lost than gained.

#### ADVERTISING

Advertising must be in *good French*. This statement is purposely repeated, for the amount of very bad advertising literature which has been sent to France from both the United States and Canada is very large. This sort of advertising is of no use at all, and besides it creates a very poor impression of the firm which makes such a distribution. The best possible translation should be made, accurate in technique, perfect in language and pleasant to read. Should the firm be unable to obtain this result through its own staff, the services of one of the first-class advertising organizations in Canada or in France should be secured. They will give the best service, especially if the representative is in Paris and is thus able to look after the technical part of the translation and to keep its commercial value up to the standard of the English version.

## TERMS AND SHIPMENTS

The question of terms varies according to the line of business. On merchandizing goods these are generally 2 or 3 per cent cash or net 90 days' sight to agents, who, in turn, sell as a rule net 30 days from the first of the following month. Most manufacturers quote their prices f.o.b. port of shipment, but it is always better to quote c.i.f. French port. The value given in Canadian currency is acceptable in most cases, but if the price can be quoted in francs it will be more attractive.

After business has been begun, it may be found necessary or advisable to carry a stock in bond in a French port or, better still, in Paris, from which agents can be supplied. Thus delays in shipment are avoided and prompt deliveries are assured.

The solvency and honesty of French dealers are in general of a very high standard. Losses are reduced to a minimum if the ordinary guarantees are secured before business is closed. Banking facilities are of the very best. Several Canadian banks have branches in Paris, such as the Bank of Montreal, Royal Bank of Canada, and the Banque Nationale de Québec.

## PACKING

Very great care should be given to packing of all kinds. The goods travel a long way, and are handled many times, generally very roughly. Strong cases should be employed banded with iron straps to ensure security. Measurements and weights in French and English measures should be given on invoices and bills of lading.

## ITALY

## TRADE COMMISSIONER W. McL. CLARKE

Various export mediums present themselves to the Canadian manufacturer desiring to carry on business with Italy. Without representation of any kind, he may let the post bring him what trade inquiries come along, and if any of these happen to be attractive and mean "sure" money, he may execute the eventual order. This, however, will only be given and fulfilled after a mutual confidence has been established by means of banks or rating channels. Once the goods are ready the manufacturer will entrust them to a forwarding house for shipment and delivery, or consign them direct as best he can. Such a system is the domestic mail order business on a foreign scale, and experience shows that some export business is done in this way. Such a manufacturer, however, rarely evinces much enthusiasm for foreign trade, and export business of any importance cannot generally be built up and retained by this method. There is too much competition in foreign markets to allow successful mail order business overseas and to make it worth while to follow this line of least initiative. An order may come one day from one particular foreign firm and one day from another, but if through some form of representation the Italian importer is assured better service by another firm from Canada or from some other country he is most unlikely to go back to the mail-order house in Canada. It is a case of apathetic exporting over against foreign trade aggressiveness, and here too the survival of the fittest holds good.

## HOW REPRESENTATION MAY BE EFFECTED

To sell goods permanently in Italy, and to develop an export trade of any proportion, it is quite unnecessary that the Canadian manufacturer be represented. This is perhaps the most important *sine qua non* of foreign trade. Now for practical purposes representation may be established in Italy, in Canada, or in the United States. Once a Canadian manufacturer has made up his mind to go into export trade, he must decide what his merchandizing plan is to be and how much capital he intends to put into his foreign business. The latter will determine the former



in so far as it compels him to decide whether he will sell his products direct—in other words, represent himself—or whether he will entrust his foreign business to some one else. So far as the writer knows, no Canadian firm maintains direct representation in Italy with the exception of one group of companies, which are subsidiary so far as export is concerned to the American overseas sales organization. The expense connected with such a project seems generally too great to be alluring, and yet this is a plan which is followed out by many other foreign firms in Italy, in generally one of three ways.

#### DIRECT REPRESENTATION

First, direct representation may be maintained by an ordinary travelling salesman, who has no permanent residence in the country and who solicits orders directly in his own name by visiting customers or indirectly by agreeing to sell to these customers through some agency already established. The daily expenses of such travelling salesmen are the principal items to be considered. Hotel bills at present exchange will average from \$10 to \$12 a day in the best hotels. Baggage is not carried free on the Italian railways, while one travels first-class in Italy at the rate of about 3 cents a mile. Tips are everywhere in demand, and a traveller is sure to run up against their necessity. Cabs and taxis are not so expensive as at home owing to the exchange, and in fact in Milan cost just about one-half what they do in Montreal. Entertainment—an item which cannot be disregarded in Italy—postage, telegraph and cable outlays are all additional daily expenses. It is difficult to estimate exactly for each individual case what a daily allowance should be, but no representative should be stinted or live in second-class hotels. A Canadian representative in Italy would be expected to *fare buona figura*—that is, to make a favourable impression—and it is better for the home firm to be generous than too niggardly in the cost of living and travelling allowance.

Incidentally it may be noted that commercial travellers who come to Italy for carrying on business are not subjected to any Government tax, but if a commercial traveller remains permanently in any city he has to pay a small tax to the local chamber of commerce, which varies in the different cities of the kingdom.

Or a direct representative may (secondly) do business as a resident salesman, who has certain fixed charges such as office rent and personnel, but who does not keep a stock of goods on hand, as orders are executed direct by the home plant. Such a representative, besides an office, will require most probably at least one book-keeper, one stenographer, and one office boy. For a good office one must pay now at present exchange from \$150 to \$300 dollars monthly for a single room. A competent book-keeper will probably require some \$75 a month and an English-Italian stenographer another \$50 to \$60. An office boy will add another \$10 to \$15 a month. Other charges such as postage, cable tolls, and the incidentals of running an office, including light, heat, tips and other items, cannot be calculated accurately, but will probably average from \$75 to \$100 a month. Taxes will depend upon declared income and turnover.

In the third place, a man may act as a resident representative with larger offices and salesroom and a warehouse in which supplies are kept. The cost of the same amount of staff will not vary, but extra clerks and stenographers will have to be paid on a similar basis. Local salesmen will also require a nominal salary of at least from \$50 to \$100 per month with a commission on sales. In addition to these original fixed charges, the warehouse or storage rental must be considered. This of course varies within broad limits according to location and the amount of space occupied, but it is safe to say that warehousing for example in Milan is not cheap at present. Then there are cartage and porter charges, brokerage fees, customs house clearings, income and business taxes, and other incidental items which must be taken into consideration.

## COST OF LIVING IN MILAN

Without going into details on the cost of living in Milan, it may be stated that no man with a wife and one or two children can live here in the style to which he is entitled by reason of his business activities on less than a minimum salary of \$7,000 a year. It may not be that every foreign business man in Milan draws that salary, but by whatever less than that amount he is compensated, by just so much does he have to restrict his expenses and lose in the social and business scale. Rents are fabulously high at present, and even then an up-to-date flat in an apartment house can only be had with great difficulty. The writer knows of an important English firm which has only recently bought its resident representative an apartment at the cost of \$14,000, as this representative could find nothing suitable to be rented which was within his income. This morning the writer heard of another flat in a new apartment building which is to be let at the rate of over \$300 per room per year. Such fantastic figures give some idea of the actual cost of rents in Milan or other Italian cities. Perhaps the worst kind of profiteering in Italy at present is in house rents, and the foreigner is at the mercy of the apartment proprietor. Personally the writer is of the opinion that a Canadian firm would be well advised to pay outright the rent of its representative in Italy as a part of his living allowance. It is to be always remembered that one must live according to one's social position—and especially is this true in a Latin country like Italy—if he is to represent his employers in a style that they may reasonably expect.

## ADVISABILITY OF DIRECT REPRESENTATION

It would have been quite unnecessary to have entered into this discussion on direct representation did not the writer venture to hope that such a mode of exporting will eventually at least claim the attention of Canadian manufacturers to Italy. There is something in the old adage: "If you want anything done well, do it yourself," and despite the fact that there are specialists who look after export and import business, and granted that it is often more practical to follow to its logical conclusion the division of labour theory and let one firm, especially equipped, manufacture and another firm, especially equipped, look after export interests, yet so much profitable business is oftentimes missed because the manufacturer is not on the spot himself that it seems only expedient to point out in some detail the alternative. Take wheat for example. Canada does a big business in this commodity in Italy, and yet it is arguable that much more Canadian wheat and other grain would be sold here if a direct representation of home interests was on the spot. The same might be said of codfish and food products and, given a normal exchange, of many other products, as for instance agricultural machinery. Ultimately, however, whether business should be done direct or through an intermediary depends upon how much the Canadian manufacturer can afford or is prepared to spend in order to put his goods on foreign markets. If the manufacturer does not have the capital to advance in foreign fields, or if he has the capital but is not disposed to use a part of it abroad for ferreting out trade opportunities, sending salesmen, collecting credit information and supervising generally his overseas business, then he should not consider doing business direct. In that case he should look carefully over the possible intermediaries and choose the export concern in Canada or the United States or the import company in Italy that seems to fit in best with his general merchandising scheme.

## TRADING THROUGH INTERMEDIARIES

As already intimated, the Canadian manufacturer who turns down direct representation has to resort to the export or import middleman. The export intermediary he will find at home or in the United States, the import intermediary he may secure in Italy. Now what are the respective claims of these classes of foreign trade workers and what are their respective functions?



THE EXPORT INTERMEDIARY

Not infrequently the nomenclature used in describing the various types of middlemen in the export trade is confusing. An attempt is herein made to simplify their classification. First comes the export merchant house, or trading company, which buys from the manufacturer and sells to the foreign clientele on its own account. In his relation to the manufacturer the export merchant is a domestic customer if operating in Canada and an American client if situated in the United States. He generally buys in the lowest and sells in the highest market, although he often becomes the sole distributing agency in certain specified or selected markets. Next in order is the export commission house which acts as the purchasing agent, for the foreign buyer and which receives its commission therefrom. While in theory a purchasing agent, the export commission house often seeks to obtain exclusive agencies in the markets in which it operates. Finally, there is the manufacturers' export agent, who acts as the foreign sales representative of the producer and receives his remuneration therefrom. His primary function is to represent Canadian manufacturers in foreign countries. The confusion which has arisen in differentiating these export mediums is largely due to the fact that many of the so-called export concerns do not confine themselves to one plan of export campaign but do business on all three principles. Thus we find not a few export companies, which are not only taking agencies but buying on commission while at the same time they are doing an export merchandise business, i.e., buying and selling outright. A clear-cut analysis of these intermediaries is, however, theoretically just as given.

Now in Canada these local export mediums are not apparently to any conspicuous extent developed, at least so far as Italian trade is concerned. Occasionally this office receives letters from manufacturers' agents, who are presumably in a position to quote on certain Canadian products. Rarely, however, does correspondence arrive from purely export merchant houses and more rarely still from export commission firms. This is due largely, the writer believes, to the absence of these kind of specialists in Canada. Of course in New York and other American centres there are many such houses existing, and eventually there will probably be an increased growth in their number in Canada. If the Canadian manufacturer therefore wants to do export business through middlemen at present, he most frequently uses the American channels, or else entrusts the execution of his shipment to one of the few Canadian merchant export houses or to a Canadian manufacturers' agent. Without minimizing the importance and competency of American concerns specializing along these lines, the writer would like to emphasize the advisability of strengthening the commercial sinews we have in Canada. Naturally, Canadian firms of such a character cannot be equally as well known abroad as almost century-old American concerns, but a vigorous exercise on their part, which will come from caring for Canadian manufacturing interests in foreign markets, will lead to their healthy development in Canada. Moreover, no one nowadays questions the place which these trade channels properly have the right to occupy in modern export practice.

RAISON D'ÊTRE FOR EXPORT INTERMEDIARIES

Export middlemen find a place in foreign trade because manufacturers are not individually strong enough financially to look after their overseas shipments, or because they prefer to delegate this part of their sales to more experienced hands. Years of painstaking study have given these export middlemen a command of export practice, which the manufacturer has oftentimes never sought to acquire. Hence the manufacturer if he entrusts his foreign enterprise to one of these firms avoids many of the pitfalls into which the uninitiated would probably run. A survey of the operations of the export house shows the many-sided functions it is called upon to perform. Among the more principal there may be noted:—

- (1) A constant watch on price fluctuations in the respective markets.
- (2) An up-to-date understanding of the commercial, financial, economic and political conditions in the foreign field.

- (3) An intimate acquaintance with ever-changing freight rates.
- (4) A more than book-knowledge of the complicated science of marine insurance.
- (5) A familiarity with the consular formalities of the consigning market.
- (6) A comprehensive grasp of the intricacies involved in making up bills of lading, of consular and commercial invoices, and of official inspection certificates when these are required.
- (7) A practical appreciation of the best methods of packing goods.
- (8) The grouping of as many small shipments as possible in order to avoid expensive minimum shipping charges and numerous customs entries.
- (9) The rapid despatch of documents either direct to the customer or by means of a bank.
- (10) A clear understanding of the methods of price quotations overseas.
- (11) A knowledge of the details involved in drawing on a customer, in collecting payments, and in financing shipments generally.
- (12) The careful and quick preparation of cables in code.
- (13) The taking of various kinds of incidental risks, in case the importer fails to honour his obligations as regards payment or the acceptance of the goods.
- (14) The outlining of the market situation for the foreign importer.
- (15) A constant study of the psychological aspects of foreign trade both in relation to the manufacturer and to the distant importer.
- (16) A genius for taking pains and for hard work.

Such are some of the responsibilities, functions, and utilities of the export house. It undertakes to do for the manufacturer what he otherwise would have to do for himself, and many manufacturers feel that their time and energy both mental and physical can much better be devoted to the problems of production rather than to the problems of foreign distribution. Hence the reason why export middlemen have come into being and in all the foreign markets they have been in most instances the pioneers of overseas trade. Such intermediaries therefore require no pleading. Their past accomplishments and present activities speak for themselves.

#### IMPORT INTERMEDIARIES

There now remain to be considered certain import intermediaries, which connect up the producer with the overseas consumers. In other words, the foreign agency has many important claims on the Canadian manufacturer, and it is this medium which the writer has found most Canadian firms in Italy as well as in other countries adopt. A local agent located in Milan or Genoa, for example, whether he is a commission agent or an import merchant, and provided he is carefully selected, can aid in many ways in creating and stimulating a demand for Canadian goods. He knows the local trade conditions, can secure credit information, adjust claims, direct advertising campaigns, and generally develop the Canadian manufacturer's export trade. In short, it may be stated that where services as well as commodities are sold, some kind of continuous local representation is requisite. Moreover, in staple lines, purchased on a narrow margin and subject to constant price movements, and in the case of goods sold by cable, local agencies can be profitably utilized. Another point in their favour is due to the fact that oftentimes such trade channels are the most economical way of working the foreign market.

As the writer has pointed out in an earlier report (see *Commercial Intelligence Journal* No. 952, page 656), some Canadian manufacturers seem disinclined to sell to Italy unless a connection is secured with the customer himself. For example, a producer of asbestos or wood-pulp will only sell to a manufacturer in Italy who uses asbestos or wood-pulp as his raw material. Some business of course may be obtained in this way, but our competitors are generally using other methods and it would seem that representation is the best method of reaching the market. By selling direct to



the consumer, the manufacturer reaches one or at best a few individual local firms. By adopting representation, on the other hand, he can or should be able to cater to the Italian market in its entirety.

It may be stated in this connection that the Italian commission agent, commonly so called, is the best method for developing trade, if indirect representation on this side is selected by the Canadian manufacturer as his means of exploiting Italian trade opportunities. Import merchants are much less frequently found, and on the whole the number of importers who will buy outright is relatively small. This, however, does not preclude the commission agent from having a certain amount of capital, and oftentimes the best commission houses are possessed of considerable financial means. They cannot, however, or at least are not disposed to tie up their liquid capital in paying themselves for the goods ordered for a third party. They are prepared to work on a commission basis—to be mutually determined—and generally on this principle alone. It is useless to argue that we shall only sell to firms who will pay us ourselves unless we wish to forego much trade which should by the nature of things come our way. The import merchant, and collateral institutions as co-operative societies and departmental stores, etc., are of course a factor in Italian trade, but not necessarily the only safe and remunerative channel for our manufacturers. We can hardly afford to pull against the accepted trade currents and to insist meticulously on our own prejudices in export practice.

#### METHODS OF SELECTING AND HELPING AGENT

How then can a suitable agent be appointed in this country, and what support should he receive once selected? In the first place, much care must be exercised in the naming of a local agent. Requests will continually come to the Canadian manufacturers from Italian firms wishing to represent them. In some cases it will be found that certain of these concerns are very respectable, while in other instances they may be concerns of little or no commercial value. For the reason that there are many reputable firms in Italy as well as not a few of the disreputable class, the greatest care should be taken in granting an agency.

Although many manufacturers have been successful in appointing agents through correspondence, and although such agents have developed considerable business, yet without question the best method is to send out from Canada the manufacturer's own representative to establish connections personally. He can make the necessary investigations on the spot, and assist the agent, once appointed, by advice on the many details connected with the marketing of the Canadian products in Italy. Not only that, but the Canadian company comes directly into touch with their representative, and a personal point of contact is established which is of inestimable value in all subsequent relations.

In concluding arrangements with the appointed agent, it is not wise generally to make a long contract: at most, the writer believes, two or three years; and it should be so drawn up as to make its performance dependent on conditions that may permit of cancellation or renewal in a given period of time. It is also advisable to consider carefully the amount of territory to be allotted. The demand will often be for an exclusive agency for all of Italy, but unless the representative can show that he is in a position to handle the various local markets, his territory should be restricted to what he can quite properly work. Milan, Genoa and Naples may be looked upon as the three principal business centres of Italy, and would cover respectively northern, central and southern Italy. Of course some import houses are sufficiently well organized to penetrate the whole of the country. Moreover, in any contract form it should be stipulated that the Canadian manufacturer will protect his agent on any business going into his territory, no matter in what way that business is derived. This is a very important point and adherence to this principle shows the nominated agent that the manufacturer will stand by him and appreciate his efforts.

It may be further pointed out that it is extremely difficult in most lines to sell goods by means of catalogues only. It may be possible in exceptional instances, but it is vastly better for the agent to have a certain amount of goods on hand from which sales can be made. Sometimes such stock is deposited on a consignment basis or else an initial order of goods, which can be used as samples, may be sold to the agent on such terms as are agreed upon in the contract.

The agent should also be provided with plenty of good advertising matter, and it should be forwarded him free of charge in such quantities as may be mutually agreed upon. The agent's name and address should be printed on such advertising matter, and naturally the advertisement should be intelligible to Italians. If Italian is not used at least the French language should be employed.

As to the terms on which business is to be done, it may be noted that the old-fashioned way of doing business, viz. cash against documents, should not always be insisted upon. There are many firms who are carrying on successful operation on 30, 60 or 90 days' sight draft, attached to documents for acceptance. On such a basis, however, the Canadian manufacturer must know intimately with whom he is dealing, which knowledge implies if at all possible a first-hand acquaintance with the chosen agent as well as ample status reports on his commercial morality and reputation.

Another precaution to be taken in appointing agents may well be mentioned. Some foreign firms, Italians included, have been known to accept agencies of two competing lines in order to stifle competition, giving part and part business to each respective manufacturer but pushing neither to the extent the market warrants. In many cases therefore it would seem advisable to insert in the contract form that under no conditions should the agent accept representation for a competing line of goods unless there are strong reasons to the contrary. Nor should any agency generally be given to a firm which handles too many lines, as in such cases specialized attention will be most likely lacking.

Finally the end in view in appointing an agent is to get remunerative results and the problem of the Canadian manufacturer, once he decides on an agent, is to so assist him that he may be able to achieve this object. The representative accordingly should be constantly encouraged and a spirit of co-operation should invest the mutual relations existing between agent and Canadian exporter. Too great results cannot be expected in too short a time and allowance should be made for the uphill fight the representative will in most cases have to make.

If then the Canadian manufacturer and exporter takes cognizance of these things, happy will he be, provided theory is allowed to crystallize into actual practice.

#### CONCLUSION

The writer has endeavoured in the foregoing paragraphs to point out the more important foreign trade-getting avenues. Reference has been made (1) to the mail-order business, (2) to direct representation in its three forms, (3) to indirect representation in Canada or the United States in its three-sided existence, and (4) to indirect representation in Italy either through a commission house or import merchant.

The Canadian manufacturer appreciates the problem of the domestic distribution and will pay high for getting his goods on the local markets. Yet he often, the writer fears, is not equally keen on his methods of foreign dispersal. A haphazard or slipshod system of exporting will not win out nowadays in foreign markets. Too many live exporters are bidding for whatever trade is available, and competition is far from moribund in Italy. Goods will rarely sell themselves—this is recognized at home, and it is this recognition which the writer wishes to cry up in this report. Once face to face with realities as they exist in foreign markets, it is seen that fundamentally the selling question is much the same as in the Canadian national market. Thus empirically rather than theoretically Canadian firms should be in a position to gauge the necessity of representation in foreign trade and to take that action which modern export practice imperatively demands.



## HOLLAND

### TRADE COMMISSIONER NORMAN D. JOHNSTON

The trend of correspondence from Canada shows that Canadian firms are realizing more and more the importance of representation abroad if a large and lasting export business is to be developed in foreign countries. Those concerns who have been doing an overseas trade for some time are probably familiar with the best methods of representation for their peculiar commodities, but as there are many firms in the Dominion who have not had much experience in foreign business, a few remarks on the subject outlining the most desirable methods and the best way to proceed in choosing a representative for the purpose of opening up trade in Holland will likely be of interest.

#### REPRESENTATION ESSENTIAL

There is no need to dwell on the necessity of a good agent, whether he be sent out from Canada or he be a local representative, as most Canadians are to-day aware of his importance in foreign trade. In the past firms have endeavoured to do business by sending out from Canada direct to the overseas buyers catalogues and price lists and have expected them to establish credit in Canada and pay cash on presentation of the shipping documents at a Canadian bank. In a few cases it may be possible or advisable to do business in this way, if samples are also submitted and the prices are quoted c.i.f. Dutch ports, but in most instances buyers in the Netherlands will not entertain business of this nature. It must be remembered that Holland is very close to the great industrial countries of Europe which have been doing foreign trade for years. Their firms usually have representatives in Holland who keep the samples and products of various kinds constantly before the attention of importers, while at the same time the goods can be obtained quickly and payment is generally only required some time after delivery. The buyer in Holland knows exactly what the goods will cost laid down at his warehouse, so that it can easily be understood that the submission of Canadian catalogues and price lists (often f.o.b. some inland Canadian city or shipping port) without samples, and at the same time a demand to establish credit in Canada and to pay for the goods against shipping documents at a Canadian bank, simply leave the Dutch buyer cold. An agent or representative is therefore essential in most instances, well furnished with samples, catalogues, price lists, c.i.f. Dutch port and all possible information.

#### PRIMARY PROCEEDINGS: HELP OF THE TRADE COMMISSIONER

Canadian firms contemplating an export to Holland may doubtless be undecided as to the best way to proceed in the development of this market or in the selection of a representative. The very first procedure should be to write to the Canadian Government Trade Commissioner, who can be of great assistance. In nine cases out of every ten when a Canadian firm writes to the Commissioner, they send only a short letter stating that they are desirous of exporting such-and-such a product and would like to get into touch with importers. A few do a little better and perhaps submit catalogues and prices, but the prices are often f.o.b. the works. This sort of a method is no good, for while the Trade Commissioner will do his best it is most difficult to interest importers in Canadian products in competition with the commodities from other sources. The same Canadian firms would think it ridiculous to send out a man to interest Canadian or American buyers in their products without first filling him up with information of all kinds, prices, talking points, catalogues, samples, etc., so that he may be fully equipped to do his best; but when they write to a Trade Commissioner they consider that he can create an interest for the goods in the foreign field where competition is much more severe without being supplied with any facts whatsoever relative to the sale of their products.

While the Trade Commissioner does not actually sell the products, it is so much easier for him to interest the prospective Dutch firm in the Canadian goods if he is supplied with the necessary information. It must also be remembered that the Trade Commissioner knows the Dutch firms and has a prestige which goes a long way towards obtaining their interest, and getting the business started right, but it is difficult to work on prestige only if the Canadian firms do not supply the requisite information. Many Canadian firms do not seem to want to go to the trouble to prepare prices and facts for foreign trade, but it is evidenced the world over that a good and lasting export trade cannot be developed without great thought, study and care, and those firms who give the necessary attention to these methods are those who will have the export trade of the future. Spasmodic endeavours are of no avail. The attention to export should be constant.

In communicating with the Trade Commissioner it is therefore essential that he be supplied with catalogues, prices c.i.f. Dutch ports or at least f.o.b. Canadian port, with an intimation of the freight and insurance charges, samples if possible or illustrations, methods of packing, size of package, quality and size of products, accustomed uses, kinds of firms to whom generally sold, good features in comparison with those from other sources, composite materials and all useful talking points and information. The Trade Commissioner, when thus equipped, is much better able to interest the Dutch firms. It is also then possible for the Trade Commissioner to make any suggestions regarding the shape, style or manufacture of the article in order to appeal to the Dutch taste and to provide information as to the exact conditions prevailing such as supply and demand, kinds and varieties sold, usual sources of supply, competing lines and prices, customs duties, etc., as well as to advise the Canadian exporter regarding the important question of representation, *e.g.*, whether a representative is desirable for their particular commodity, or whether the market conditions would warrant the appointment of an agent, what kind of a representative or agent would be most suitable and, if desired, place them in touch with likely persons or firms. It is so much easier for the Trade Commissioner to help those who will help themselves.

#### THE APPOINTMENT OF A REPRESENTATIVE

Providing the conditions appear to be favourable for the sale of the specific articles, the next chief consideration is the appointment of a representative and the kind likely to be most suitable. Of the various kinds of representatives may be mentioned the following:—

(1) *A Canadian sent from Canada.*—The sending of a Canadian from Canada is of advantage in certain cases, especially when a technical knowledge is preferable. The advantages of this method are that he is familiar with the ideas of the Canadian firm and is enthusiastic regarding their products. The representative should be thoroughly familiar with the production of the articles, prices and all facts relative to their sale, and should be furnished with samples, catalogues, c.i.f. Dutch port prices, and all possible information. He should be of good habits and appearance, observant, and in the confidence of the Canadian concern, so that any advisable changes in the article or selling methods which he may suggest can be depended upon and carried out in every detail. It should be impressed upon him specially to observe and adopt the sales methods generally used, and to have patience and not try to rush a customer, which is very much resented. The United States firms have lost business by trying to use American selling customs and Canadian firms would be well advised to be careful in this regard. Confidence and square dealing is the great basis of European business transactions, and although at first the business may be small and slow—which is to be expected when the importers are buying from an unknown Canadian firm—nevertheless when the products become known and the exporter is found to be dependable, the trade is likely to greatly increase and be lasting, so that the careful exporter with a reliable representative gains in the long run.



If a Canadian traveller or representative is sent out from Canada, the Trade Commissioner can be of great assistance in putting him in touch with Dutch firms, in suggesting the best cities to visit, and in advising him generally as to trade.

(2) *A Canadian resident in Holland.*—With few exceptions this method of representation appears to be unsatisfactory unless the person chosen has been in the country for a considerable time and is known in the trade.

(3) *A Dutchman who has lived in Canada.*—The advantages of this procedure are that the representative has a knowledge of both Canada and Holland and that he speaks the language, but on the other hand he is unlikely to be familiar with the manufacture of the articles in Canada and may not be very well known by the Dutch importers.

(4) *A local agent engaged in the trade.*—The appointment of a Dutch agent who is reliable and well known in the trade is, in the opinion of the writer, the most satisfactory method in the majority of cases. He has the advantage of knowing the language and of being well known and trusted by the buyers. They know that, if anything is wrong with the shipment, they have him to consult on the spot, and he is better able to introduce a product from a new source than a stranger would be able to do. The use of an existing organization also eliminates certain competition. By having such a representative he is likely to have a good knowledge of the various firms and is able to keep an eye on their financial standing, which reduces the risk of bad debts, while by his experience of the trade he is in a good position to offer suggestions as to advantageous changes in the products or sales methods, and with his knowledge of the people and language he is better able to obtain and report trade information. In every respect this method appears to be the least expensive or risky. Care should, however, be taken in selection as to the standing of the agent, his reliability, and that he is the best suited for the purpose. In the appointment of a local agent the Trade Commissioner can be of considerable assistance.

(5) *Branch offices or factories.*—The establishment of branch offices or factories is a later stage and should be adopted only when it has been proved that the trade would warrant such a procedure.

If it is possible for a partner or a responsible person of the firm to visit the country personally in conjunction with a trip to Great Britain and surrounding European countries, it is of course of great value in order to get acquainted with the Dutch firms and in general to look over the situation before definitely deciding on a representative.

The type of representative most suitable will depend largely upon the kind of article it is desired to sell and what the prospects are for its sale, as well as the financial strength of the Canadian firm.

#### METHODS OF DEALING WITH REPRESENTATIVES

The two main methods in dealing with representatives are either to have the agent take orders from the customers, which orders are sent to the manufacturer and the goods shipped direct from Canada to Holland, or to send the products on consignment to the agent. The method chosen will be principally dependant upon the trustworthiness of the representatives and the particular trade requirements in Holland for the specific commodities.

If the former method is considered most desirable, it is absolutely necessary for the agent to be furnished with samples and all possible particulars regarding the article. People in Europe will not buy from illustrations or catalogues. Samples must always be on show if the products are of a nature that this is possible. Canadians try over and over again to do business without samples, but it stands to reason that when the importers are familiar with articles from accustomed sources they are not likely to buy from a Canadian firm whose products are unknown. When

the orders are taken on samples great care should be shown that the goods supplied are exactly equal in every way to the samples submitted. Otherwise trouble arises and a continuation of orders is unlikely.

If on the other hand a Canadian firm has a good reliable agent, it is often desirable to send goods on consignment. This method is particularly useful when competition is severe from nearby countries. Such a procedure should, however, only be adopted after it has been ascertained that there is a market for the products in Holland. In many instances a buyer does not want to wait the length of time that is necessary to receive the goods from Canada, when he can obtain his requirements from certain other countries in a much shorter time, and especially under present conditions, when the markets are uncertain and fluctuating, he is most unwilling to contract too far ahead, the tendency being to buy more or less "from hand to mouth." It is therefore a great inducement to purchase Canadian products if there is a stock in the country such as can be retained by means of sending the goods on consignment to the agent. Higher prices can also often be obtained for goods on the spot than if they have to be shipped from Canada.

The principal criticism against a consignment business is that money is tied up for a longer period than in the case of direct shipments, but after the trade has got started it is possible to estimate approximately the amount likely to be required in a given period and small shipments can be sent periodically (say once a month or so) to renew the stock. It is then unnecessary to keep a large stock, the turnover will be more rapid, and the money will not be tied up for long periods. In order to cut down the size of the stock it will probably be possible for the agent to supply only the smaller orders from stock and furnish the larger buyers with sufficient to keep them going until the big orders arrive on direct shipments from Canada.

A commission, which varies according to the kind of article, is allowed on all sales, and the representative should be requested to send once a week an account of the sales during the week at the actual prices obtained and the proceeds should be paid into the bank on the due date. The agent's books should be examined once or twice a year by a chartered accountant and a certificate issued as to the correctness of the accounts.

#### QUOTATIONS

Representatives should be supplied, in addition to samples and catalogues, with c.i.f. Dutch port quotations in order that they may be able to show the importers what the landed charges will be in comparison with other prices. If f.o.b. quotations are sent they should be f.o.b. Canadian ocean port and an intimation be given of the ruling freight and insurance charges at that time, as well as outside measurements or weights of the packages, so that the charges may be computed. It is, however, difficult to ascertain freight charges on this side, and it is therefore almost a necessary preliminary to a lasting export business to keep the agent furnished with c.i.f. prices. Quotations f.o.b. some inland point in Canada, such as are often sent by Canadian firms, are absolutely of no use, as it is most difficult for the importer to obtain the freight costs to the seaboard and from there over to Holland, and importers are not likely to go to the trouble, while on the other hand it is a simple matter for the Canadian firm to ascertain freight and insurance charges to Holland, and include these in c.i.f. Dutch port quotations. The importance of these matters does not seem to be appreciated by Canadian firms, but as landed charges from other countries are known, Canadian exporters will have to supply similar information in their quotations, if they are going to get and hold the trade.

#### TERMS OF PAYMENT

In most instances Dutch firms are unwilling to do business on letters of credit or on terms of payment cash against bills of lading in Canada. It is, however, a fact that in letters received from Canada many of the firms wishing to develop an export business demand these terms. Unless Canadian concerns are prepared to



meet the importer half way and give terms at least cash against documents Holland, as is done by competing countries, the trade will go elsewhere. It must be remembered that Holland is surrounded by industrial exporting countries, so that if thirty days are given it is possible for the Dutch importer to have time to examine the goods before making payment.

Many therefore wish to see the products before paying for the Canadian goods. A good reliable agent, however, who is well known in Holland and has a good collection of samples, or better still a stock, can help very much in arranging satisfactory terms of payment. After the goods are known and a demand has been created it will be possible to get better terms, but until the trade has been started it will be wise to make the terms as liberal as possible.

One of the ways to overcome the difficulty, providing a good agent has been appointed, who can keep a watch on the financial position of firms, is to give an option to the importer to pay for the goods, in, say 90 days with increasing discounts according to whether payment is made in 60 days, 30 days, or cash against documents. It is purely a matter of calculation. In this way the interest on the money can be covered and the discounts should be made sufficiently large to offer an inducement to pay cash on arrival of the documents. The most desirable terms will of course depend upon the nature of the goods and the accustomed policy generally adopted in Holland for the importation of the specific commodities, but in the majority of cases, after the usual inquiries have been made regarding the financial standing of the concern, Canadian firms will be well advised to give terms at least cash against documents Holland. In order to get the trade it is necessary for Canadian exporters to compete in payment terms, as well as in price and quality. Other things being equal, the Dutch business is likely to go to the firm or country giving the most favourable terms of payment.

#### DEPENDABILITY: SUPPORT OF AGENT

It is hardly realized in Canada how much the trade of Europe is based on confidence. If the importer has been getting his requirements from a certain firm which has always been straight in their dealings, has supplied goods entirely up to sample and has lived up to the letter of their contracts, he will be very diffident about buying from other sources, even if the prices are somewhat lower. The dependability of the exporter is therefore a great consideration in foreign trade.

It can thus be readily realized how important it is to have a dependable agent in Holland, who has confidence in the Canadian exporter and in whom the importers have faith. It is therefore essential that the Canadian exporter should back up his representative abroad in every way possible. Keep him supplied with samples, information and all possible facts. Pay close attention to any suggestions he may make and if possible carry them out in every detail. Always acknowledge his letters and by constantly keeping in touch with him let him know that you are taking a keen interest in his endeavours. When samples are submitted be sure that the resulting shipments are absolutely equal to the samples, so that he may get to know that he will not be let down in any way. Take great care in packing, so that it may meet the requirements of the market. Not only the safe arrival of the goods in an undamaged condition is important, but the size and shape of the package may have a pronounced effect on the sale of the articles. Care should be taken in labelling or marking the packages, so as to be as convenient as possible, and any weights given should always be correct. In fact any contract entered into should be carried out to the letter.

If these suggestions are followed the agent or representative will be imbued with faith in the stability and dependability of the Canadian exporter, and will, in turn, be able to more readily convince likely buyers of the reliability of the firm which will materially help the sale of the goods. By continuing these methods the business will be more certain of maintenance, for, once a firm has broken a contract in any way, the trade is likely to be discontinued.

In conclusion, let it be said that the subject under discussion is such a large one, it has only been possible to touch upon the more important aspects of the situation, but if Canadian exporters desiring to develop a trade in Holland will communicate with the Trade Commissioner's office, any further particulars will be supplied and all possible help given. It may, however, be said that if the facts here enumerated are fully carried out there is little doubt but that Canadian trade will be greatly increased in the Netherlands.

## BELGIUM

### TRADE COMMISSIONER A. S. BLEAKNEY

#### THE COMMISSION AGENT A RECOGNIZED INSTITUTION

In the older countries where the technique of export trade has crystallized into a number of well-recognized and accepted views, the resident commission agent is recognized as a legitimate cog in the machinery of international trade, and it would appear that in Belgium such agents, if selected with prudence and given loyal support, are specially adapted for the building up by Canadian firms, new to export trade, of a permanent Belgian clientèle. The actual existence of large numbers of such commission agents is evidence of their successful employment abroad by many firms.

#### STIFF TERMS NOT APPRECIATED IN BELGIUM

There is at present in Canada a marked aversion to dealing on any basis other than that of direct purchase, against irrevocable confirmed letter of credit, established in Canada. These terms are usually offered to merchants, brokers, and commission agents indiscriminately. Canadian firms and their banking advisers are of course in the best position to know what counsels of prudence, arising out of present conditions, demand in regard to their own particular business, but a Canadian trade will never be built up in Belgium entirely on the basis referred to. Foreign firms, generally speaking, will only meet such stiff terms when the demand for the goods and difficulties of supply are such as to force their hands, but they do not appreciate such terms, and when conditions of supply become more normal their resentment may reasonably take the form of a change in source of supply, where more accommodation is offered.

#### THE ELEMENT OF RISK

Many firms feel that in selling to an agent on commission they are taking extraordinary risks. This is true in so far as concerns a direct consignment to a comparatively unknown agent, but given a careful preliminary examination of the agent's reputation for trustworthiness and loyalty, particularly through firms who are already dealing with him, coupled with the consignment of the goods to bankers to be released as sold under the usual conditions governing the protection of consignor, the risks are greatly minimized. Agents, too, frequently offer guarantees against consignments.

#### PRELIMINARY INQUIRY BY TRADE COMMISSIONER

After a preliminary inquiry into the saleability of a given product in this market—(this office will be glad to undertake such preliminary inquiry for Canadian firms, on receipt of the necessary data, descriptions, illustrations, prices, shipping weights and dimensions and ocean freights)—a favourable report having been obtained, and it having been decided to place the goods in the hands of a resident commission agent, the selection of such an agent becomes the immediate issue. The selection itself is a matter of the very greatest importance.



## THE SELECTION OF THE AGENT

The points to be considered in order of their importance are in the view of this office as follows: (1) reputation of the agent in Belgium for reliability and straight dealing; (2) connections with the trade interested in the goods coupled with selling ability as shown by testimonials; (3) freedom from connections with competing lines; (4) financial position. This should be sufficiently strong to enable him to devote his whole attention to sales, without worry.

## BY VISIT OF CANADIAN REPRESENTATIVE

The most desirable method of selecting an agent is to send a qualified representative of the firm to this country to make the selection personally. In many cases financial considerations would not justify the expense of sending a Canadian to this country for such a purpose. It is, however, a fact that most goods saleable in Belgium are also saleable in much greater quantity in England.

Granted that the market for Canadian goods in Belgium is not great, still there is a population of seven millions, highly concentrated, making distribution from Brussels easy.

The British market appears to be a logical stepping-stone to the Belgian and other continental markets. Many Canadian firms send representatives to England, and while a trip to Belgium by itself might not be considered advisable, as a side-trip from a trade visit to England it is both practical and inexpensive. One can take the trip from London to Brussels at night, leaving London at 8.40 p.m. and arriving at Brussels at 10.15 a.m. The return trip can be made also outside of business hours, by leaving Brussels at six o'clock, arriving at London at eight in the morning. The business hours utilized may thus be entirely credited to active trade work.

By writing to this office in advance, giving advice of date of arrival, arrangements can be made to smooth the way for a speedy survey of the field. Only a few days ago, such a plan of action was successfully put into execution for a Canadian manufacturer of fruit syrups.

## BY CORRESPONDENCE

Should the personal visit of a Canadian representative be impracticable, agents may be appointed by correspondence. The initiative may be taken through advertising in Belgian export papers, or through letters addressed to lists of firms supplied by this office or other trade-developing organizations.

In regard to this second method, it is undoubtedly true that agents receiving circular letters offering agencies are apt to discount the value of the agency so offered, reasoning that opportunities of real value are not sent broadcast. They may also have doubts as to the standing of the firm so operating. On the other hand, when the accredited representative of a Canadian firm calls on an agent here, or meets him at the office of the Trade Commissioner, and lays before him samples of his goods, and is prepared to supply immediately all supplementary information, the elements necessary for the successful formation of a valuable connection are present.

## REFERENCES

In seeking agents by correspondence, references should be given and requested. In regard to methods of investigating the claims of agents, a word of warning may not be amiss as to the character of the reports furnished by certain commercial organizations in Belgium. These reports are, in many cases, practically valueless. Usually they do not represent the situation at the time of the inquiry. If the agency has nothing on file, an original inquiry is made. Agents of several of these organizations have called at the office of the Trade Commissioner to investigate its activities, but have simply asked for information in regard to its work. The reports by these organizations sometimes contain a mass of information which is of little use, and

with very few vital facts. It is not intended to condemn in general terms such organizations. A few give useful reports, but it should be remembered that, on the Continent at least, such organizations are essentially money-making concerns which show a distinct tendency to favour subscribers.

Belgian banks are very reticent in supplying information with regard to their clients. A typical reply is as follows: "Mr. X. has had a checking account with us for some time and we know nothing unfavourable against him." English and American banks give fuller reports, but certain of the English banks merely hand on reports of rating companies. Experience on the ground has proven that the best reference is that of a British or other firm which is already utilizing the services of the agent. This office will also be glad to report, without responsibility, general impressions of any individual agent who has expressed interest in the product of a Canadian firm.

#### USEFUL PURPOSES SERVED BY RESIDENT AGENTS

Apart from actual selling, the resident agent is useful in settling small matters of friction which may arise between the exporter and his customer. When given the necessary instructions and allowed a certain discretion, which experience may prove justified, he may be the means of retaining, through tactful mediation, many customers who might be lost through the delays and misunderstanding of an overseas correspondence. An agent may also be useful in the matter of making collections and keeping clear of firms having a reputation as bad payers. He may also act as a general intelligence agent, and advise the exporting firms of changes in conditions involving modifications of the goods themselves, methods of packing, etc., following the development of competition. While agents who have proved themselves should be given every confidence, care should be taken in the original contracts with new agents. A period of probation should invariably be specified based on the writing of a reasonable amount of business.

#### LOCATION

In the opinion of this office, Brussels is the natural centre for the location of the majority of general agents. Brussels may be likened to the hub of a wheel. From this centre direct railway lines radiate to the principal industrial centres of Belgium. For instance, to go from Antwerp to Bruges it is quicker to travel through Brussels than cross country on account of express services. Most foreign firms in Belgium favour Brussels as their head office. It is the largest city in Belgium, and the majority of business men in the provinces visit it periodically, particularly on Wednesday, when the industrial bourse is held, the different groups of industrialists congregating in their own special cafés in the vicinity of the bourse—a custom which greatly facilitates business.

#### CONCLUSION

To recapitulate, the possibilities of the resident commission agent in Belgium, as a means of introducing and pushing "made-in-Canada" goods, are urgently recommended for the consideration of Canadian firms looking to this country for an outlet for their products.

### JAPAN

TRADE COMMISSIONER A. E. BRYAN

The sale of Canadian goods abroad begins of necessity at home. In other words, before embarking actively on this business the manufacturer should be certain that he possesses the necessary facilities for properly taking care of orders which may be received from foreign sources.

Some time ago this office received samples and catalogues from a Canadian firm and succeeded, in spite of the fact that no prices were quoted, in interest-



ing a good importer to the extent of placing a trial order, only—and after much delay—to receive a letter saying that the order could not be executed, as the firm in question found they did not have the proper facilities for looking after foreign business. The establishment of a department to take care of this trade is something that cannot be done hurriedly; it takes time, and the longer and the more intensive work that is put into the establishment of this branch of service, the better will it be able to cope with the many exigencies that are encountered in exporting, but which are not met with in ordinary domestic business. When a firm has the necessary machinery installed to attend carefully to all the little but yet important features in connection with quotations, samples, documentation, consular invoices, etc., it should then proceed cautiously to exploit the most attractive market for its products.

#### CANADIAN TRADE COMMISSIONER

If the intending exporter will write to the Canadian Trade Commissioner in the field which he wishes to explore, just as fully as he would to a prospective client in the home market, sending catalogues and quotations, etc., he will receive in due course information obtained at first hand as to whether there really is a good opening for his product. He will also probably be advised as to the best manner of entering the market, whether to send out his own salesman or simply to send out samples and full particulars to an agency of some kind already on the ground, and if the latter, who and where. Through co-operation with this office a number of Canadian manufacturers have successfully broken into this market, and in some cases direct representation has been secured.

#### TRAVELLING SALESMEN

A firm may decide that the best way to secure good representation is to send out their own salesman to look over the ground, meet prospective customers, and make the final decision as to what form such representation shall take. Cases have come to the notice of this office, in which such a representative has been, to say the least, unacceptable, not at all the type of man to attract or hold the respect of the Japanese buyer. The man who can find nothing better to talk about than to criticize conditions as he finds them in Japan, the "fresh" type of salesman, the loud fellow who drops into an office for the first time and tries to put a sale through in a few minutes; failures such as these reflect not only on the general body of Canadian manufacturers, but what is even more regrettable, are hurtful to the good name of Canada.

#### SELECT YOUR BEST MAN

If the president or head of the firm is unable to make the trip himself, then the next best man should be chosen—a man in whom every confidence is felt that he will represent the best interests not only of his firm, but of Canadian manhood. The Canadian manufacturer will inevitably be judged by his salesman. Speaking particularly from the standpoint of Japan, the essentials of a successful salesman or firm's representative in order of importance are: integrity; patience; ability; courtesy; feeling of patriotic responsibility; and knowledge of the language. The foreign salesman must also be a good mixer. He should be exceptionally versatile as well as ingenious. To appraise his customers, he must be a diplomat and a psychologist. In Japan also, perhaps more so than in any other country, the efficient salesman must know how to entertain and how to act when entertained—in other words, he should be a gentleman in every sense of the word.

## VARIOUS KINDS OF REPRESENTATION

After the salesman has been in Japan for a month or more, he will be fairly well posted as to what is required and who the best firm or agent is to undertake the exploitation of the goods. If the proper salesman is chosen in the first place, he will be big enough for his job so that his judgment will be made the basis of the working policy to be adopted by the firm in catering to the market requirements of Japan.

Foreign products reach this country through various media, all of which must be considered when deciding on the basis to be followed. These trade intermediaries may be listed as follows:

- (1) Branch office of exporter or manufacturer in Japan.
- (2) Branch house of Japanese importer in Canada or United States (may be either Japanese or foreign house).
- (3) Canadian commission firm.
- (4) Foreign import commission house in Japan.
- (5) Japanese import house or commission merchant.
- (6) Local agent (foreigner).
- (7) Local agent (Japanese).
- (8) Merchants as agents.
- (9) Manufacturer's agent.
- (10) No special agent.

## (1) BRANCH OFFICE IN JAPAN

Although entailing far more organization and greater effort on the part of the manufacturer, the branch house is after all the logical way to obtain business. This however may be too expensive for the average manufacturer to undertake until he feels assured that it will pay its own way. It all depends upon the product to be sold and the market for it in a given territory, whether such procedure is to be recommended, but the branch has many advantages, particularly in the case of Government contracts.

Take the case of a steel manufacturing firm who have a good range of railway materials among their products. If they wish to get their share of what business is offered, it is incumbent that they have their own office in Japan together with an efficient staff of engineers in a position to work on inquiries and specifications and get their quotations ready and in the hands of the various purchasing departments within the allotted time. The Imperial Government railways, as well as all other Government departments, issue and close their tenders within a period of two weeks. This does not allow sufficient time for specifications and complete particulars covering an inquiry to be sent to Canada by mail, so that most of the large American, British and European companies have their own offices in Japan with capable engineers who can themselves prepare estimates and drawings and supply all particulars without referring to head office at home, except for confirmation of contract.

It is impossible for any firm to get this Government business until it has been placed on the approved list to fill such inquiries as are issued from time to time. This requires the special attention of a competent manager who can secure the confidence of his buyers and who is always on the ground to see that the desired service is given to his customers, both in offering advice and also in straightening out any claims or troubles that may arise.

A short time ago a firm in Canada wrote rather indignantly to this office because they had not been cabled regarding a tender that had been issued for a large quantity of railway material. As a matter of fact, the sale was completed by an American firm who were on the approved list of suppliers, who had sold large quantities of similar material in the past, and who had



their own office and engineers in Japan ready to contract on Government tenders. The Canadian firm, on the other hand, had neither office nor representative on this side, while they were not on the approved list of suppliers, nor had they ever sent a man out to study the requirements of the market.

The branch office has many other advantages. A firm is assured of service, that some one is working for them at all times, and they are in a better position to compete on the market, as extra commissions of all kinds are cut down to the minimum. They are also better equipped to be advised of all changes or events of importance that affect the sale of their goods, and can take better advantage of any "breaks" in the market. Another important advantage is the fact that the Japanese prefer to buy direct from the manufacturer. They wish to get as near to the base of supply as possible in order to obtain the best price and sell at whatever additional figure the product will stand in order to face competition. Better service can also be given to buyers than through an agent, particularly on manufactured products that may require technical knowledge to explain.

## (2) BRANCH OF JAPANESE IMPORTER IN CANADA

Many products have been successfully sold in Japan through the medium of branches of Japanese or other foreign houses located in Canada or the United States. Indeed in some cases it was due to the fact that such foreign house, with instructions at hand to buy a certain product, first approached a manufacturer and ultimately purchased from him for shipment to Japan. This would seem to be the line of least resistance: to sell to a branch house in Canada of a firm in Japan which presumably knows the conditions of the market and would buy the merchandise outright, thus taking all burden off the shoulders of the manufacturer as regards any financing. Such purchases are very welcome to the manufacturer as there is little, if any, risk regarding claims, etc., the goods being inspected and purchase completed before shipment.

On the other hand there are some objectionable features, particularly for the firm that is interested in their goods after they leave the factory and wish to build up a growing trade. In the case of Japanese houses, there are only a very few that have offices in Canada, and those that have not the most important. Many branches of large Japanese concerns are located in the United States at New York, Seattle, Portland and San Francisco. This applies generally as well to other foreign houses, while there is not one Canadian export firm, so far as the writer is aware, that has its own office in Japan. These houses being so few or scattered throughout the United States, are not likely to give Canadian manufacturers much attention unless they cannot obtain their requirements from some American manufacturer located nearer to them. This does not, of course, apply where Canada has natural advantages such as in the matter of wheat, flour, lumber and nickel, where the Japanese or other branch house in New York or elsewhere will send its own buyer to the place of production to arrange for supplies, but in the majority of cases Canadian manufacturers never get a chance to quote simply because the deal is completed south of the line. And where Canadian products are shipped out through the medium of firms located in the United States, they are usually credited to that country in the official import returns issued in Tokyo.

Another disadvantage in selling these houses is that it is often impossible to come to any satisfactory arrangement for representation in Japan, owing to the fact that they prefer not to be tied down in a way that would keep them from buying where they can do so cheapest. Sometimes, however, a head office in Japan advises its American house to purchase certain brands already known to the trade, but in many cases it is left to the discretion of their buyers, one of the salient reasons for the maintenance of such foreign branch being to buy when and where they can most profitably.

## (3) THE CANADIAN COMMISSION HOUSE

During the last four years there have sprung up in Canada, particularly at the ocean ports, a few good commission houses or export firms formed for the purpose of buying Canadian goods and selling them on overseas markets. So far as is known, none of these firms have their own office in Japan but work through arrangements made with similar commission houses in Japan that are not represented in Canada. Some of these firms are strong and reliable, and have established a good name for themselves in foreign markets, others unfortunately through various causes have fallen by the wayside.

The Canadian manufacturer should choose a firm that he has every confidence in before entrusting them with the sale of his products. As has been already stated, a manufacturer is judged by the man who sells his goods, and therefore it is important that no arrangements be made with any export house until he is assured of the facilities that this commission house have at hand for looking after his interests properly. Credit rating, experience in the handling of export shipments, connections abroad,—all should be carefully examined beforehand.

A manufacturer should never commit himself to the representative of an export house before thoroughly examining the applicant who wishes to sell his goods. In Japan there is no one to speak for his goods except this export agent and the goods themselves. Export price lists, samples, etc., should not be given him until a thorough investigation has been made of the standing of the firm both at home and abroad. By so doing the way is paved for the opening of a branch office, should that policy be later decided upon.

The most desirable type of Canadian commission house is the one with its own office in Japan. So far there is not any, but a splendid opportunity exists for a real Canadian import and export house with head office in Canada and branches in Tokyo and Osaka, established along the same lines as many of the British and American firms already in operation. Such a house equipped with a Canadian staff and a few good agencies, together with adequate financial backing, would find plenty of scope for its activities and would command the attention of important Japanese buyers as well as of Canadian manufacturers.

In the case of the majority of Canadian commission houses, they are working through the medium of Japanese or foreign houses already established on this side. This is not very satisfactory for the reason that it usually is a temporary arrangement and of short duration. A representative may come out to Japan; and in the ten days or so that he is in that country he makes a tentative arrangement with some local importer to send him a few samples and quote prices, after which he goes on his way. What happens? The samples may come or they may not, but the chief trouble is that the person who did the preliminary work is not able personally to look after things, with the result that dissatisfaction may develop before the business gets even started. On the other hand, there is a possibility that the firm in Japan may in the meantime receive samples from elsewhere and be working on them instead of the original. That is, if a firm have no sole representative, business may not be forthcoming because another company with their own office in Japan are getting orders for the same merchandise. On the other hand, there are certain export houses with men in charge who have been in Japan and spent considerable time in that country, who perhaps come over every year or so to see that all their connections are satisfactory and in good standing, and manufacturers should be able to work through these houses to mutual advantage.

Firms located on the Pacific coast have an exceptionally good opportunity for playing the role of exporter from Canada to Japan, being in a favourable



position to see that freight is forwarded on the proper steamer, at the right time, and that documents are in order and on the same steamer as shipment—a most important detail.

When an exporter gives his agency to one of these reliable Canadian export houses, he must treat such a firm as he would their own export department. That is, supply them with samples and catalogues, and keep them fully supplied at all times with latest prices and notify them of any changes that may take place in their manufacturing arrangements.

A Canadian export house recently sent their representative to Japan who carried several different lines. The writer was much surprised to find that he did not have catalogues of an important line he was supposed to be carrying, while in another case he had no samples of one of the most saleable products which one of his principals manufactured, and which had been exported to Japan. Neither did he have prices, and when he cabled to his office for them, his request received no acknowledgment in the ten days that intervened before he left Japan.

#### (4) FOREIGN IMPORT HOUSES IN JAPAN

Foreign import houses in Japan are those import and export commission houses other than Japanese, who have built up their organization within the country.

When Japan was first opened to foreign trade in 1870, there were no firms native to the country who knew anything about foreign commerce, and at first all intercourse with the outside world was done through the medium of those foreign traders who first set themselves on its shores. As a result there are to-day British, American and Dutch houses who have been established for forty years or more, while there are one or two British houses that are even older. While Japanese firms, later entering the field, have shown remarkable expansion, the foreign houses still play an important role in the volume of overseas trade.

Being for the most part long established, these firms are thoroughly familiar with the customs and requirements of the people, and have an established clientèle. In many cases they hold agencies which they have been working for years past. For this reason it is sometimes difficult for a newcomer to interest them in a Canadian product, as they may be already agents for similar goods produced elsewhere, yet it not infrequently happens that they are quite open to sell Canadian goods, and this office has been successful in securing business through the co-operation of such houses. They usually have their own offices in two or three places in Japan; the various departments are in charge of a foreign manager with Japanese salesmen (*bantos*) under him. Practically all foreign houses in Japan are more or less dependent on the Japanese salesmen who are responsible for the orders that are booked, the foreigners in charge supplying prices and relative information, and seeing that the financing is properly cared for and that the contract is in order.

The practice of these foreign houses is to issue letters of credit to cover all purchases and sell to the customers on a 30 to 60 days' sight draft or promissory note. This of course depends on the customer, and does not so much concern the Canadian manufacturer, who is paid cash on presentation of documents. It is very satisfactory for the Canadian exporter to know that he is trading with firms that he can thoroughly trust at all times.

On the other hand, it is sometimes found that these large foreign houses, already in an assured financial position, do not put as much vigour into the sale of a product, especially a new article, as can be obtained through the means of some other distributor. For this reason it must be made clear, when negotiating with such foreign import houses, that the goods must be pushed properly,

that there must be no procrastination in the matter of looking for orders. A good plan is for the manufacturer to send out his own salesman to work in the office of the foreign import house. A representative on the ground cannot but act as an inspiration to the foreign house handling the goods, while the presence of a man from the factory is always an assurance of service. The majority of import houses, it should be stated, have their own specialities which they are particularly well qualified to handle, and they will usually be interested only in allied lines. It is important, therefore, before making any approach, to have some information on the products handled by the respective houses.

#### (5) JAPANESE IMPORT HOUSES

Many people in Canada have an unfavourable impression regarding Japanese firms in general. To say that there are no reliable firms in Japan to-day is just as far from the truth as to say that every house in Canada is trustworthy. In every city in Japan there are what may be called first-class Japanese import houses, reliable and strong financially, and able to put through any business they take in hand. There are also mercantile houses similar to Dun's and Bradstreet's, from whom reports may be obtained on the financial standing of any firm. In cases of trouble that have arisen this office has found that the exporter or manufacturer at home has been unduly impressed by the appearance of an elaborate letterhead, and has not taken the trouble to make the necessary careful inquiries.

It is well to emphasize the fact that there are good, efficient, and energetic Japanese import houses who are always interested in Canadian goods, because there is no blinking the fact that if business is to be increased with Japan, Canadian firms must more and more rely on the Japanese themselves and deal through Japanese houses as the logical manner of reaching the consumer, who after all is responsible for any trade that develops.

Japanese import houses are naturally in an excellent position to serve the Canadian manufacturer. They understand the demands of the market, they know the psychology of their own people, and the managers and heads being Japanese are closer to the real facts of a sale than is often the case with the foreign manager. If the firm are reliable, they get splendid support from their banks, which enables them many times to give long term credits to their customers without which the business might fall through. Their overhead expenses are generally less, with the result that they can usually sell competitively their foreign goods. They are in a better position to ascertain the financial standing of the small buyer than is the case with other houses, occasionally they will carry stock for or on behalf of their clients; and being generally in excellent standing with the various Government departments, they seem to get preference in the case of Government tenders. Then again many of these import houses have their own branches in the United States and other parts of the world, which in a great way facilitate purchases and help clear up misunderstandings when these occur. Being comparatively young, they are generally not so booked up with agencies as some of the old-established foreign houses and who are thus unable to consider the representation of Canadian houses. They will issue irrevocable letters of credit, while occasionally other credit arrangements may be agreed to by the manufacturer under special conditions.

Much fruitful business has been secured through the co-operation of one of these Japanese firms together with a representative from the factory in Canada. The Japanese import house will give the representative a desk and office space and the use of his organization, including salesmen and financial accommodation, with the result that good business is usually to be had. This procedure is recommended to the attention of the Canadian manufacturers.



The fact must not be lost sight of, however, that the *general importer* is really an *indenter*, who will order from abroad anything that he gets an inquiry for and for which his clients will pay. Thus it may happen that a Japanese importer will bring in something he does not know anything about. Perhaps due to his own mistake, the wrong goods are shipped with the result that there is trouble. This class of importer should be avoided.

#### BE CAREFUL TO AVOID MISUNDERSTANDING

Japanese firms and foreign houses have this in common: they are all very keen on having their own special brands or makes of goods. It frequently happens that the first question a Canadian manufacturer is asked on going into an office, is whether he has taken the samples or laid specifications and prices before competitors. This sometimes gives rise to an embarrassing situation, especially when the representative has not only done so, but perhaps has even taken some sample orders. The importer takes the position, and naturally so, that he is not going to spend his time on a line of goods that one of his competitors may also be pushing. In other words, the one is not going to do any advertising for the other. The Canadian exporter must realize that all import houses, both foreign and Japanese, are in the first place competitors. Therefore, if it is desired to pick out the firm that is the best qualified to handle a certain line, great care and diplomacy must be exercised when interviewing the managers of the various concerns. There are in all lines certain large and better known local dealers who buy direct from these import houses. If the manufacturer leaves samples and prices in the hands of say two different importers, these dealers are almost sure to be approached by the salesmen (*bantos*) of both firms, and this, to say the least, creates unpleasantness, which is reflected in a cessation of orders.

#### (6 AND 7) LOCAL AGENTS

A few manufacturers place their agency in the hands of a single man who may or may not have had considerable experience in Japan. Such agent may be either a foreigner or Japanese.

*Foreign.*—Should a manufacturer visit Japan, he may choose some reliable man he has met, who has had experience in his line, and who is willing to leave his present firm to take on the special work of looking after his interests. The greatest advantage in this case is that this agent, being the paid and personal representative of a manufacturer, is in a position to sell to any one, large import houses and dealers alike. Being always on the ground and in touch with firms, he can take advantage of any inquiry offering. Such a representative, of course, cannot do his firm justice unless he is fully supported and receives the unfailing co-operation of his principals. To begin with, living costs are very high in Japan, and such an agent must receive a liberal salary, not less than \$6,000 a year, with a commission. He must be treated liberally in the matter of travelling and entertaining allowances, and be given a furlough of six months at home at least every three years, or a year's leave of absence every five years. It must be admitted that good men to represent Canadian firms are not readily obtainable—that is, with the necessary experience and at the same time with an adequate knowledge of the country, its language, etc.

*Japanese Agent.*—While a Japanese agent may be had for half or less than half the cost of a foreign representative, generally speaking he is unable to swing business in the same way that a foreigner can do, for the reason that he is not so *persona grata* with the large Japanese buyers as is the type of foreigner just referred to. As a rule, the individual Japanese representative is not a success. He is overshadowed, so to speak, by the large Japanese and

foreign import houses which may be representing a competitive line. He is inclined to work on a small scale and in a small way, pocketing any revenue that he may save by so doing. Individual Japanese agents are seldom met with in Japan, as manufacturers prefer, if dealing with the Japanese at all, to give their representation to one of the large Japanese import houses, which is the better principle on which to work.

#### (8) THE MERCHANT AS AGENT

There are in Japan, as in most countries, a few large and responsible merchants who import direct; for example, department stores handling different articles or large stores merchandising and specializing in certain lines. Giving an agency to such a firm occasionally has its advantages. Usually large orders are received, and instead of several or more risks, there is only one. Besides, the merchant agent may guarantee a minimum amount of business annually. Such a connection is looked upon with some satisfaction and pride by the manufacturer, if the merchant is well known and doing a large business, as it is a good advertisement for him.

On the other hand, one merchant will as a rule not buy from another, so that the products to be handled have only one outlet and the market to that extent is circumscribed. This office has recently arranged an agency of this kind, and it seems to be working out satisfactorily for all concerned as the department store likes the goods because they are popular with the consumer, and has placed several orders already. This kind of representation, however, is usually of interest only in the case of certain small lines, such as are sold in a retail way or in department stores.

#### (9) MANUFACTURERS' AGENT

There is another way of getting business, and that is through the means of a manufacturers' agent located in Japan who represents probably several other manufacturers of allied lines. Good men in this class are few and far between. Such an agent is paid on a commission basis, or he may get a nominal salary of a few hundred dollars a year and a commission on all business he turns in. This is very much the same as giving the representation to an important firm, with the exception that perhaps the import house has many other agencies and therefore cannot push a particular line to the same extent as the individual who has not so many lines to look after. Some manufacturers' agents, however, have their own offices with competent staffs, so that they are in reality themselves small import houses which give a little more personal attention to the manufacturer than the ordinary import house is able to afford.

#### (10) NO SPECIAL AGENT

There are a few standard lines well known to the trade, not only in Japan but all over the world, for which there is always a demand. Sales do not depend so much on ability of salesmen as they do on the stock on hand, it being simply a question of keeping enough on the market to supply the general demand and of trying to increase this demand by advertising propaganda.

In such cases the manufacturer generally has the list price, gives all foreign importers of that product the same discount, and sells to no one but bona fide wholesalers or importers. He will generally get more business than he would by confining the sale of his goods to one firm only, because in this way firms who are competing ordinarily in the domestic trade can buy at the same



price such goods from the manufacturer, whereas one would not buy from the other in Japan. The proprietors of Waterman's fountain pens have no special agents in Japan, but sell to stationery shops by means of parcel post shipments. The sales manager, when he was in Japan a few years ago, informed the writer that they had never lost a dollar and were doing a very satisfactory business in this country.

## REPRESENTATION CHART

The following chart may be of interest in designating the class of firms and the means by which many of them are seeking, and, let it be said, securing business in Japan at the present time.

Representation	For These Lines
1. Branch House in Japan... ..	Lumber; Iron and Steel; Rails; Railway Material; Pulp and Paper; Packing House Products; Metals; Machinery; Specialties.
2. Firm's own Representative working with a Japanese or Foreign Import House... ..	Pulp; Paper; Metals; Food Products; Lumber; Asbestos; Steel; Nickel; Aluminum; Wheat; Flour; Automobiles; Rubber Tires; Rubber Footwear; Gas Engines.
3. Japanese or Foreign Commission House... ..	Paper; Pulp; Hardware; Milk; Butter; Cheese; Aluminum; Chemicals; Malt; Wheat; Flour; Woollens and Yarns; Grinding Stones; Confectionery; Rubber Footwear; Auto Accessories; Toilet Articles; Musical Instruments.

## MEXICO

## TRADE COMMISSIONER C. NOEL WILDE

In a number of Latin-American republics—Argentina, Brazil, Chile, Peru, and Uruguay, for example—the capital is not only the commercial centre of the country; it is also the most important seaport, or, if not actually a seaport itself, it is situated within a few miles of such a port. The result is that practically all the import business of the country is concentrated at one point: the bulk of foreign goods arrive at that point, and are distributed thence throughout the whole of the country. This is true of Mexico only to a limited extent. While Mexico City is undoubtedly the commercial, financial, and trading centre of the republic, it is not a seaport, but is situated on an elevated plain in the interior, more than 7,000 feet above sea-level, and hundreds of miles distant from either the sea-coast or the international boundaries. Thus, the whole of the import requirements of the country are not supplied from the capital, and foreign goods do not necessarily pass through its warehouses before reaching the consumer; there are a number of large and important cities scattered throughout the country which also act as centres of supply and do a local trade of considerable proportions. It is important for the exporter to bear in mind that he is not necessarily covering the whole of the Mexican market when he has appointed an agent in Mexico City itself. The question depends largely upon the nature of the goods which he has to sell, whether the agent covers (by means of travellers or otherwise) the whole of the republic, and the points from which buyers are accustomed to draw their supplies.

Bearing in mind these special conditions, the following remarks are intended to apply specifically to agencies in Mexico City, although they are true along general lines of other areas in which it may be desired to secure representation.

## METHODS OF REPRESENTATION

In general it may be said that foreign products are introduced into the country by the adoption of one or other of the following methods:—

- (1) Branch houses of the manufacturer.
- (2) Manufacturers' representatives.
- (3) Direct importers.
- (4) Travelling salesmen.
- (5) Indent houses.

## (1) BRANCH OFFICE OF THE MANUFACTURER

A limited number of large manufacturers and exporters maintain their own branch houses in Mexico City, these houses dealing only in the products of the parent house and covering the whole of the republic either by means of travellers or otherwise. It is obvious that the adoption of this means of representation necessitates the employment of large capital and an energetic representative, and it also requires extensive warehouses for the accommodation of stocks of all the most important articles for which there is a demand. On the other hand, it enables the manufacturer to keep in close touch with the trading possibilities of the market, and to secure orders which otherwise might pass to other firms. From the point of view of the consumer or retail dealer, it enables him to secure early delivery of his requirements, and is frequently a convenience in connection with terms of credit.

This method of representation has been adopted by firms dealing in certain classes of machinery and electrical equipment, rubber goods, paper, etc. It does not appear desirable to recommend it to Canadian firms as a preliminary measure, unless the demand for their product is so large, or capable of being increased to such an extent, as to make the venture show reasonable chances of success within a brief period of time.

## (2) MANUFACTURERS' REPRESENTATIVE

The manufacturers' representative usually works on commission, representing a number of foreign houses, and selling direct to importers and consumers on behalf of his principals. As a general rule, he sells only one class of products (such as foodstuffs, or dry goods, or drugs) and does not accept agencies for the same goods from two competing firms. It being unnecessary for him to carry a large stock of goods, or to finance the orders which he receives, this type of agent frequently works with only sufficient capital to maintain an office, together with such clerical assistance as may be needed; his principal assets are his reputation and his energy. Successful manufacturers' representatives have been known to employ no capital whatever in their business.

A manufacturers' representative of a high type is invaluable to foreign exporters. If he is of an energetic temperament, he can secure large orders, and will watch the interests of his principals in the way of credits, selling only to firms of undoubted responsibility, and, if necessary, securing financial reports on all new firms from whom he receives orders. He can also watch the collection of accounts, keep his principals in touch with the trend of the markets, and provide all necessary information in regard to packing, customs changes, etc. His remuneration being derived from commissions (or, at most, with a nominal salary in addition), the exporter incurs practically no expenses for representation, and thus every dollar paid in commissions should represent a profit to himself.



In many countries the manufacturers' representative carries no stocks whatever, except such samples as may be necessary to give the prospective purchaser an idea of the goods themselves. In Mexico, however, the line between the manufacturers' representative and the direct importer is not so finely drawn; their functions frequently overlap to such an extent that it is impossible to classify them definitely in either category. Thus, it has become customary for many manufacturers' representatives to carry stocks of merchandise so that they may fill small orders without delay, larger orders being shipped from the parent house direct to the purchaser and invoiced direct in the same manner. These stocks are sometimes held on consignment, payment being made for them as sold; in other cases the manufacturers' representative may purchase for his own account, selling at such a profit as the conditions of the market permit.

The employment of this type of representation can be recommended to Canadian exporters in probably the majority of cases where a new product is to be introduced into the Mexican market. Its advantages are the small initial expense, the fact that the agent is not limited to any particular circle of clients, and that payment is entirely by results. The disadvantages are that the agent may occasionally miss large orders through lack of stocks on hand where early delivery is required, and the fact that payment of commissions reduces the profits to the exporter on each individual order.

### (3) DIRECT IMPORTERS

There are a large number of firms in Mexico who import their supplies direct, without the intervention of manufacturers' representatives or travelling salesmen; these firms, taken as a whole, conduct their business in so many different manners that it is almost impossible to classify them briefly. In some cases they represent a number of foreign firms, and maintain large stocks, selling wholesale only; in others they combine an import business with sales to retailers, and also maintain retail stores themselves, either under their own or another name. In still other instances they buy in the open market, representing no particular firm, but securing their supplies as opportunity offers. Further, large retail houses act as direct importers, buying merchandise only for sale over their own counters. In addition, it has already been pointed out that direct importers also occasionally combine their business with that of a manufacturers' representative, carrying large stocks on behalf of one manufacturer, and at the same time selling for another on commission only.

For the purposes of the present report, however, a direct importer may be considered as a firm which maintains warehouses containing stocks of the manufacturers which it represents, purchasing these from the manufacturer without the intervention of third parties. Such firms are usually financially responsible, and being in a position to fill orders promptly, enjoy an advantage which is sometimes not possible for the manufacturers' representative. Further, their showrooms and warehouses being frequently situated on a prominent business street, their names are more conspicuously before the public, and buyers, therefore, gravitate to them when requiring supplies. The advantages to the foreign exporter of a connection with such a firm are obvious; the disadvantages are few, and are principally due to the fact that the direct importer has a more limited number of clients than the manufacturers' representative and may therefore not secure such a large volume of orders throughout a given period of time. A further disadvantage is that, having to maintain warehouses and possibly keep products in these warehouses for some months before they are disposed of, the direct importer may require longer terms of credit than is

asked for by others. The benefits of this type of representation, however, probably outweigh the defects, and the system can be recommended to Canadian firms desiring to enter the Mexican field.

#### (4) TRAVELLING SALESMEN

The travelling salesman, sent out by the manufacturer to cover certain areas in a foreign country, is frequently found to be an excellent method of securing business. Such a salesman may represent one manufacturer alone, or may represent a group of manufacturers who have combined for the purpose of introducing their goods by this method, sharing the expense of the trip and paying suitable commissions on orders received. The method is somewhat more expensive than that of a manufacturers' representative, but on the other hand, the travelling salesman is usually fairly familiar with the products he has to sell, and covering a wider area, is often able to secure a larger volume of orders. His success depends largely upon his personality, the goods which he has for sale, and his judgment of the reliability of the customers upon whom he calls.

So far as Mexico is concerned, a travelling salesman sent out by a Canadian house might be of either British or Latin-American nationality; it is difficult to say definitely which would be preferable, this depending to a large extent upon the kind of firms upon which he would have to call.

If a Latin-American, there are no special prejudices either in favour of, or against, any particular nationality, such as occasionally may be found in parts of South America. In any case, he should have at least some knowledge of the Spanish language, and a little French or German would be useful in addition; a complete knowledge of any of these languages, however, is by no means essential, as the Mexican business man is frequently well educated, and speaks one or two foreign languages with fluency; where this is not the case, large houses usually have members on their staff with an excellent command of English.

The salesman visiting Mexico should be of a high type, and should invariably be courteous in his demeanour; he should at first be more anxious to create a good impression rather than to conclude a sale, and should be prepared to spend a good deal of time on preliminary negotiations. Any attempt at "hustle" or speed might probably be resented, and a disposition to listen rather than talk should be shown at first. Once a favourable impression is created, however, half the battle is won, and if the goods of the house which he represents are in demand, and prices and quality are competitive, the probabilities are that his efforts will meet with success.

#### (5) INDENT HOUSES

A number of manufacturing, mining, and industrial companies do not purchase their supplies locally, but obtain them through agents located in foreign countries—usually in New York or London. These agents act for a large number of foreign firms, located in many different countries, and as supplies of various kinds are frequently required from a number of different firms at the same time, they usually buy in large quantities, thus obtaining lower prices from the manufacturer. The articles purchased by this means are not usually for resale to retailers, but are required by the buyers for the operation of their business—whether mining, oil, transportation, etc.—and contracts for many months' requirements are usually placed at one time.

This system of purchase has been adopted on a large scale in Mexico; one of the most prominent companies operating in the petroleum fields maintains its own purchasing offices in New York, and thus the most suitable means of



selling supplies to that company is to approach the New York office. A number of other manufacturing and mining companies also purchase the majority of their supplies through other well-known New York houses, merely sending a list of their requirements to the agents and permitting them to obtain these requirements in the open market.

Thus a Canadian exporter wishing to sell his goods to such companies would be well advised to get in touch with the indent houses which purchase on their behalf, and it must be borne in mind that sales through them would not necessarily prevent the appointment of representatives in Mexico also; it would merely give him two strings to his bow by providing an additional outlet for his products.

#### GENERAL REMARKS

It will be seen that no general law can be laid down, so far as Mexico is concerned, as to the type of representation which should be adopted by Canadian manufacturers in all cases. There are, however, a number of products, and these among the most important, for which a definite method of sale has become established in a greater or lesser degree, and the following information is therefore given as to the means of representation which offers the best chances of success in connection with the particular items referred to:—

*Wheat.*—The demand for foreign wheat depends almost entirely upon the volume of the local crop, but of recent years there have been large imports, and it seems probable that these will continue to increase. The business is best handled through a manufacturers' representative who would call upon millers with samples of the quality which he can supply. Stocks are not necessary, but prompt delivery is usually essential.

*Flour.*—Flour and similar milled products are frequently sold through manufacturers' representatives working on commission. It is not essential that stocks be carried (though such stocks are occasionally advantageous), but samples are always required. A number of the larger wholesale grocers purchase direct from millers in the United States, waiting to place orders until a full carload of mixed foodstuffs can be obtained at one time. The business is somewhat speculative, as the imports of foreign flour vary from year to year in accordance with the volume of the local wheat harvest.

*Fruit and Vegetables.*—This class of product is generally handled by direct importers, who maintain large warehouses, these warehouses in some cases being adapted for cold storage and located in a number of the larger cities of the republic. Rapid distribution is made to retailers, and a complete organization for this purpose exists. In some cases fruits can be sold through manufacturers' representatives, although the more prominent wholesalers prefer to deal direct with growers.

*Confectionery.*—Confectionery, including biscuits, chocolates, etc., is generally sold through manufacturers' representatives, who maintain small stocks for urgent orders, but also work on commission when possible. Orders may also be secured through travelling salesmen.

*Other Foodstuffs.*—The business in foodstuffs is complicated, and practically any type of representation may be adopted with reasonable prospects of success. A number of large importers with their own warehouses both maintain retail stores and sell to other retailers, and these importers either purchase direct, through manufacturers' representatives, or from travelling salesmen. There are also a number of manufacturers' representatives in Mexico City, who maintain small stocks, and others who have no stocks whatever,

selling on commission for the house which they represent. This is particularly a case in which no general rule can be laid down, and all that can be said is that advantage is taken of opportunities as they occur.

*Liquors.*—Foreign wines are frequently imported direct, sometimes by retailers and sometimes by wholesalers who distribute to the retail trade; the same remarks apply to fine liqueurs. There is only a limited market for foreign beers, the local product being of high quality, and the duty prohibitive. Whiskies are purchased through manufacturers' representatives who frequently maintain stocks, or by direct importers who distribute to the retail trade.

*Timber.*—This is usually handled by a manufacturers' representative working exclusively on commission; no stocks are necessary as a rule, the quality of the various classes of wood obtainable in different areas being well understood. With regard to box shooks, for which there is a large demand, these also can be sold by a manufacturers' representative, but some of the largest consumers purchase through indent houses situated in New York.

*Paper.*—One of the largest exporters maintains a branch office, with warehouses, from which distribution is made throughout the republic. Another method is by means of a combination of direct importation and manufacturers' representative, the same firm carrying stocks and also selling on commission, as may be most convenient; the latter type of representation seems most suitable to the needs of the market. Certain paper products, such as stationery, can be sold by travelling salesmen, or by manufacturers' representatives who carry no stocks whatever.

*Machinery—Mining, Oil, etc.*—This is frequently purchased through firms of purchasing agents; who may also maintain offices in Mexico City. The business, however, is of such character that it is considered inadvisable to carry large stocks in the republic itself, as the machinery is of a special nature and is sometimes specially designed. The same remarks apply to heavy electrical machinery of a special type, such as hydraulic power plants.

*Machinery, Agricultural.*—The Mexican Government maintain their own warehouses, where agricultural machinery of foreign manufacture is sold at cost price. In addition, there are a number of direct importers interested in such machinery, where stocks are maintained for retail sale. Tractors are occasionally sold by automobile dealers, one well-known cheap type of tractor having a practical monopoly of the market and being retailed by three different dealers in Mexico City. Small agricultural implements may be sold through a manufacturers' representative.

*Automobiles.*—These are invariably sold through resident agents, who have showrooms and maintain a larger or smaller stock of the various types of machine which they represent. An agent represents generally only one or two different manufacturers, the machines which he sells being of such a different class that no element of competition enters into his sales efforts. As a rule, the automobile agent carries a limited stock of repair parts, but does not go in largely for either tires or accessories. With the exception of a well-known and universally used cheap car, there is generally only one agency for any particular type of car in each city.

*Automobile Accessories.*—These are usually retailed in combination with a tire agency, large stocks being kept on hand at all times. Many types of accessories can be sold through manufacturers' representatives, but it is most usual to purchase through travelling salesmen.

*Automobile Tires.*—Some of the largest manufacturers of automobile tires maintain their own branch houses in Mexico City; these have extensive ware-



houses and distribute throughout the republic to retailers. Other tire makers are represented by manufacturers' representatives.

*Other Rubber Goods.*—Belting, hose and packing are sold either through branch houses, or by direct importers; if the goods are not well known, stocks are necessary. Travelling salesmen would probably not be successful in this line.

Surgical rubber goods can be sold through manufacturers' representatives who would carry small stocks, or possibly by travelling salesmen calling on retailers. Toys and sundries could be sold by travelling salesmen.

*Hardware.*—This business is principally in the hands of German houses, who import direct and sell both wholesale and through their own retail stores. A manufacturers' representative might be successful if prices and quality were satisfactory, and travelling salesmen might also secure a fair volume of orders. The business, however, is very competitive.

*Heavy Chemicals.*—The largest houses are represented by manufacturers' representatives, who also carry limited stocks. This appears to be the most suitable means of operation, though direct importers frequently place orders with manufacturers.

*Dry Goods.*—There are a number of importers in Mexico City who make a specialty of dry goods, and these are usually of French or Spanish nationality. They generally import direct, and maintain wholesale warehouses, some selling retail in addition. A number of these houses buy from manufacturers' representatives, and could also be approached by travelling salesmen, but as a general rule they deal direct with the manufacturers on their own account. Retail dry goods houses and the large department stores are usually willing to purchase through travelling salesmen, but prefer to deal with manufacturers' representatives who are permanently resident in Mexico City.

*Phonographs, Pianos, Musical Instruments.*—These would have to be sold by manufacturers direct to firms in Mexico which have suitable showrooms and retail stores, where the prospective purchaser can examine the quality of the goods and compare them with competing lines. Personal visits by representatives of the manufacturer would probably be necessary as a preliminary measure, as well-known makes are firmly established, and a certain amount of difficulty is involved in inducing an agent to change his representation, or take on lines which are unknown to local buyers. The supply of one or two instruments on consignment would probably be successful in securing a trial of a new product.

*Proprietary Medicines, Toilet Articles.*—This class of goods, for which there is a large demand in Mexico, is usually sold through manufacturers' representatives who carry adequate stocks of all products for which there is sufficient sale to make such action worth while. Some of the larger firms have travellers covering the whole of the republic, and an organization of this character is essential to success with the majority of these products. Advertising is also desirable if effective competition is to be made with established brands.

#### CONCLUSION

It is always desirable, if time and opportunity permit, for the prospective exporter to pay a personal visit to the country in which he wishes to obtain a market for his product. So far as Mexico is concerned, such a visit is not expensive, and need not take more than three weeks or a month unless a complete tour of the republic is contemplated, in which case at least two months

should be allowed. Action on these lines is of the greatest possible value, as it enables the exporter to see for himself the nature of the demand, and form a judgment as to the desirability of making an effort to secure a portion of the trade; it also enables him to ascertain the type of representation which is most suited to his individual requirements, and to select an agent accordingly.

If such action is impossible, the Canadian Government Trade Commissioner is in a position to provide lists of suitable agents, report upon the possibilities of business, and, if there is a demand for the product, to make such arrangements for representation as come within the scope of his official duties. It should be borne in mind, however, that Trade Commissioners are not in a position to guarantee the financial responsibility or commercial standing of such agents, and information on these points should invariably be obtained from banks, commercial rating houses, or other sources.













